CROWN LAND FOR AGRICULTURE

— A REVIEW —

The Report of the Inquiry into Agricultural Development on Crown Land in British Columbia

Mr. David W. Gillespie, Commissioner

November, 1989

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CROWN LAND FOR AGRICULTURE

- A REVIEW -

A REPORT OF THE

INQUIRY INTO AGRICULTURAL

DEVELOPMENT ON CROWN LAND

IN BRITISH COLUMBIA

Report of the Commissioner

Mr. David W. Gillespie

NOVEMBER 1989

Inquiry Into Agricultural Development on Crown Land

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LETTER OF TRANSMITTAL

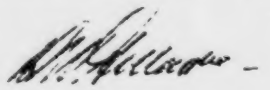
November 28, 1989

Honourable Dave Parker
Minister of Crown Lands

Dear Sir:

It is my pleasure to transmit my report on Agricultural Development on Crown Land in British Columbia, as commissioned by the Minister of Crown Lands on June 16, 1989.

Respectfully yours,



David W. Gillespie
Commissioner

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ACKNOWLEDGEMENTS

Many individuals and organizations went to great lengths to provide me with facts and opinions regarding the subject of this Inquiry, and to help me understand the issues at hand. I would like to express my sincere thanks to those individuals and organizations.

PREFACE

Provincial government programs to provide Crown land to promote settlement and economic activity have been central to British Columbia's historical development. It is, however, becoming increasingly evident that extensive expansion of human settlement onto the Crown land base cannot be sustained without paying a high price of conflict with others who would use the same land base differently. The escalation of these conflicts is largely the reason for my appointment by the Minister of Crown Lands to inquire into the one remaining provincial program which makes significant amounts of Crown land available for settlement purposes.

Although a large proportion of B.C.'s land base is owned publicly, these lands, particularly those of the highest quality, are already highly committed.

It appears that we have reached a point in B.C.'s evolution where the B.C. public is conscious of the need for new approaches to how we allocate and manage our natural resources. The concept of sustainable development has been widely embraced as the foundation for these new approaches. The challenge now lies in putting the concept into practice. This Inquiry into Agricultural Development on Crown Land has provided such an opportunity.

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EXECUTIVE SUMMARY

INQUIRY INTO AGRICULTURAL DEVELOPMENT

ON CROWN LAND IN BRITISH COLUMBIA

REPORT OF THE COMMISSIONER

MR. DAVID W. GILLESPIE

NOVEMBER 1989

EXECUTIVE SUMMARY

Since 1963, the Ministry of Crown Lands has administered a program to provide Crown land to the public for "extensive agriculture". Extensive agriculture means the use of Crown land for soil bound cultivation, production and harvest of livestock, cereal and forage crops, vegetables or fruit.

The program has undergone numerous changes during its twenty-five year span, but the basic method of making the land available has remained unchanged - individuals receive a lease tenure containing a purchase option. After a specified amount of agricultural development of the land has occurred, the land may be purchased by the leaseholder.

About 6,500 such leases have been issued under this program, comprising about 650,000 hectares of Crown land. The program has operated most actively in the northern interior parts of the province. Currently, there are about 1370 active leases, covering approximately 140,000 hectares of Crown land.

On June 16, 1989 the Minister of Crown Lands appointed me as Commissioner to conduct an Inquiry into the program. My main tasks were to:

1. Identify issues associated with existing agricultural development of Crown land;

2. Determine if additional Crown land should be made available for agricultural development, and if so;

3. Identify the most effective methods for agricultural Crown land disposition.

In undertaking the Inquiry, I consulted extensively with

interested organizations and individuals. I met with representatives from relevant government agencies and viewed all main areas where the program has operated. I received 88 written submissions and about 100 verbal submissions in the course of Inquiry proceedings.

As a result of this process, I reached a number of conclusions regarding the program, and offer over 30 specific recommendations to government for improving the program.

PRIMARY FINDING

The primary finding of the Inquiry is that, although the program has made significant contributions to agricultural development in British Columbia, it has been abused by timber speculators. The policy allowed high profits from timber on agricultural leases, and this has influenced individuals to acquire leases without bonafide agricultural intent. The result has been widespread logging and under-development of the lands for agricultural purposes.

There is no inventory to quantify the extent to which this problem has occurred. In qualitative terms, however, the problem is significant and warrants major adjustment to the program. The opinion of forestry and wildlife interests is that the program has promoted inappropriate allocation of Crown land, and this has caused foregone opportunities for those interests.

The program has operated without information on the extent to which agricultural expansion onto Crown land is actually needed to support provincial objectives for the agricultural industry. The provincial thrust should be to intensify the use and management of lands already allocated for agriculture. Accordingly, my primary recommendation is that the agricultural lease program should be narrowed in scope to provide Crown land

for the expansion of existing farms only, to enhance their viability. Further widespread allocation of Crown land for agriculture should be discontinued until there is justification of the need in the context of a provincial strategy for agriculture.

NARROWING PROGRAM ACCESS

In deciding who should be eligible to participate in a "narrowed" program, and in deciding onto which Crown lands eligible individuals should be allowed to expand, I recommend the adoption of objective screening criteria. Specifically, a definition of "existing farmer" should be established, and requirements for Crown land arability and development should be increased. In the body of the report I make detailed recommendations on the criteria that should be adopted and monitored to assess effectiveness in achieving the revised program intent.

The past disposition process has been too open-ended. Individual disagreements on applicant eligibility or land suitability have run-on for years, with the result being inefficiency and complaints of unfairness and inconsistency. The Crown land allocation process for agriculture needs to be "bounded". I make recommendations on the use of independent professional consultants and a source of independent appeal to help in this regard.

TIMBER AND LAND PRICING

Despite the fact that the provincial government introduced "comparative value pricing" (CVP) for timber in B.C. in 1987, there remains an extremely high profit potential from timbered agricultural leases. The magnitude of these profits throws into question whether or not the

Crown is receiving fair value for the timber resource on these lands.

Unless this profit potential is reduced through the application of market value timber pricing, the program will continue to suffer the problem of lease demand being unrelated to bonafide agricultural need of applicants. After considering several options for how market value pricing might be applied, I propose that the price of merchantable timber on agricultural leases should be calculated as the CVP stumpage rate, as a minimum "upset" amount, plus the current "premiums" that are bid for timber in the local area under the Small Business Enterprise Program.

In the area of Crown land pricing, the objective should be to balance market value pricing principles with the needs of administrative efficiency, and a degree of price certainty for leaseholders. Accordingly, I recommend that annual lease rental rates (i.e. percentage rates) be reviewed and set at prevailing levels for private agricultural land rentals. The land value of leases (as the base against which rental rates are applied to calculate annual rentals) should remain fixed for the full lease term. The final purchase price of the land should be the land value as appraised at the time the lease is issued.

The existing policy of applying a cultivation credit of $750 for every hectare of arable land that a lessee cultivates is an extremely indirect and inefficient way for the province to subsidize cultivation. The Ministry of Agriculture and Fisheries operates an agricultural land cultivation incentive program. The current policy of cultivation credits on agricultural leases should be discontinued, and any incentive that government wishes to provide for cultivation of Crown lands should be delivered through the programs, (be they existing or modified programs), of the Ministry of Agriculture and Fisheries.

DETERMINING THE SUITABILITY OF CROWN LAND FOR AGRICULTURE

Operation of the agricultural lease program in the past has resulted in strong differences in opinion on the "highest and best use" of Crown lands. To a large degree, agency mandates run at cross-purposes, with intense competition among programs for access to the same land base.

Past planning studies have attempted to resolve this dilemma with varying degrees of success. The longstanding practice of allocating Crown land in reaction to individual Crown land applications is a less satisfactory method for effectively resolving conflicts.

Future conflicts over "highest and best use" should be diminished with the recommended narrowing of agricultural lease program scope. Greater communication and coordination among the implementing agencies would help reduce inter-agency conflicts in determining Crown land suitability for agriculture.

In the long run, program administrators need broader provincial guidance as a basis for individual Crown land planning and allocation decisions. A Provincial Land Use Strategy is needed to supply this guidance.

Crown lands that have been identified for agriculture through former planning processes should not be marketed for agriculture at this time. These lands should remain uncommitted, pending a further planning exercise, or justification of the need to allocate them to agriculture.

INTENSIFIED LAND MANAGEMENT

There remain large amounts of Crown land previously allocated under this program that are used unproductively. Indeed

a good deal of existing private land, not necessarily allocated under this program, is used unproductively. Yet, these lands probably constitute the highest capability lands in British Columbia for agriculture (or forestry) production. Land assessment and taxation are policy tools at the disposal of government to accomplish higher levels of utilization and management on these lands.

To ensure compliance with land management provisions of **future** agricultural leases, Land Act amendment is warranted to provide program implementors with the necessary tools of enforcement.

Use and management of all **existing** agricultural leases should proceed according to the provisions of those existing lease contracts.

1.

INTRODUCTION

AND

BACKGROUND

1.1 Inquiry Purpose and Scope

On June 16, 1989 the Honourable Howard Dirks, Minister Responsible for Crown Lands, under authority of the Land Act, commissioned me to conduct an Inquiry into Agricultural Development on Crown land.

The Inquiry purpose was to review the Ministry of Crown Lands' "extensive agricultural land use program" that is available in the northern regions of the province. Not included in the review were the provincial range policy, the agricultural land reserve policy, nor private agricultural lands in the province.

The Terms of Reference for the Inquiry determined the basic process, scope and direction of Inquiry investigations. The Terms were established jointly by representatives from the Ministries of Crown Lands, Forests, Environment, and Agriculture and Fisheries.

The specified goals of the Inquiry were to:

1. identify issues associated with agricultural development on Crown land and document the perception and positions of the various interests on each of the issues;

2. analyze the most significant issues to establish their nature and significance;

3. identify and evaluate alternative directions and policies for agricultural development on Crown land; and

4. prepare a report on the issues and alternative program directions.

The complete Inquiry Terms of Reference are contained in Appendix 1.

1.2 The Inquiry Process

As Inquiry Commissioner, I held twelve public meetings in the four northern administrative regions of the Ministry of Crown Lands. The meeting locations were selected on the basis of proximity to areas where the program has been most actively applied, and with regard for travel time and access for participants. A schedule of the location of the meetings is found in Appendix 2.

Letters inviting participation were sent to appropriate local government agencies, Chambers of Commerce, and professional, industry and community associations. The Ministries of Environment, Forests, Parks and Agriculture and Fisheries were invited to arrange meetings and prepare position statements. Members of the Legislature representing the relevant electoral districts, the Ministers of State for Cariboo, Nechako and Northeast and for Vancouver Island and Northcoast, and the opposition critic for the Ministry of Crown Lands were also invited to contribute to the Inquiry.

I met with representatives from the headquarter offices of the Ministries of Crown Lands, Forests, Environment and Agriculture and Fisheries prior to the start of the public meeting schedule. Meetings with the regional and district staff of the same Ministries were arranged during the "northern tour" of public meetings. These meetings provided me with accounts of personal experiences with agricultural leases and gave me an opportunity to view first-hand the results of this program.

The many meetings and submissions provided valuable information and opinion on the agricultural land use program. A total of 88 written submissions were received. The list of written submissions is provided in Appendix 3. It is more difficult to list those who provided oral presentations and comments due to

the informal nature of many of the meetings; nonetheless, I have attempted to list those persons in Appendix 4. I apologize for names that I have missed or misspelled.

In addition to receiving information and advice through these meetings, some research was undertaken to obtain background information on the agricultural industry, the recent history of the agricultural program and nature of land/resource conflicts associated with the program. Research and organizational support to the Inquiry was provided by the Land Policy Branch of the Ministry of Crown Lands.

1.3 Agricultural Lease Program Described

The Ministry of Crown Lands administers and allocates Crown land under the authority of the Land Act and the Ministry of Lands, Parks and Housing Act. Policies and procedures have been developed within broad land use categories to guide that allocation, one of which is the Ministry Program for "Extensive Agricultural Program Use of Crown Land." Extensive agriculture is defined by the Ministry as, "the use of Crown Land for soil-bound cultivation, the production and harvest of livestock, cereal and forage crops, vegetables or fruit."

The Extensive Agricultural Program was introduced initially in the Peace Region in 1963. The program offered a lease with a purchase option that could be exercised by the leaseholder after certain prescribed cultivation of the land had occurred. By 1965, the program was extended to all the provincial land regions and remains in effect today in the four northern administrative regions of the Ministry of Crown Lands.

Over the past 25 years, the policies for disposition under the program have been modified and adjusted in response to changing social, political and economic conditions in B.C. The most

FIGURE 1

General Patterns of Agricultural Lease Dispositions*

BRITISH COLUMBIA
General Pattern of agricultural land reserves

For detail information ALR maps of the appropriate regional district should be consulted

*** Agricultural lease disposition has occurred primarily in the shaded areas north of Williams Lake.**

Maps drawn and produced by:
Map Production, Surveys and Mapping Branch, Ministry of Environment, Victoria, B.C.

notable policy changes have occurred in requirements for cultivation, annual rental, and lease term. Appendix 5 chronicles the 25 year history of specific policy changes.

The growing scarcity of suitable land and the intense competition for these lands for non-agricultural uses led to the cancellation of lease-develop-purchase as a disposition option in the four southern administrative regions of the Ministry of Crown Lands in 1986.

Approximately 6500 leases have been allocated to date under this program, comprising roughly 650,000 hectares of Crown land. Lease disposition has occurred primarily in the shaded areas, north of Williams Lake, as shown on the map in Figure 1.

1.3.1 The Current Lease Portfolio

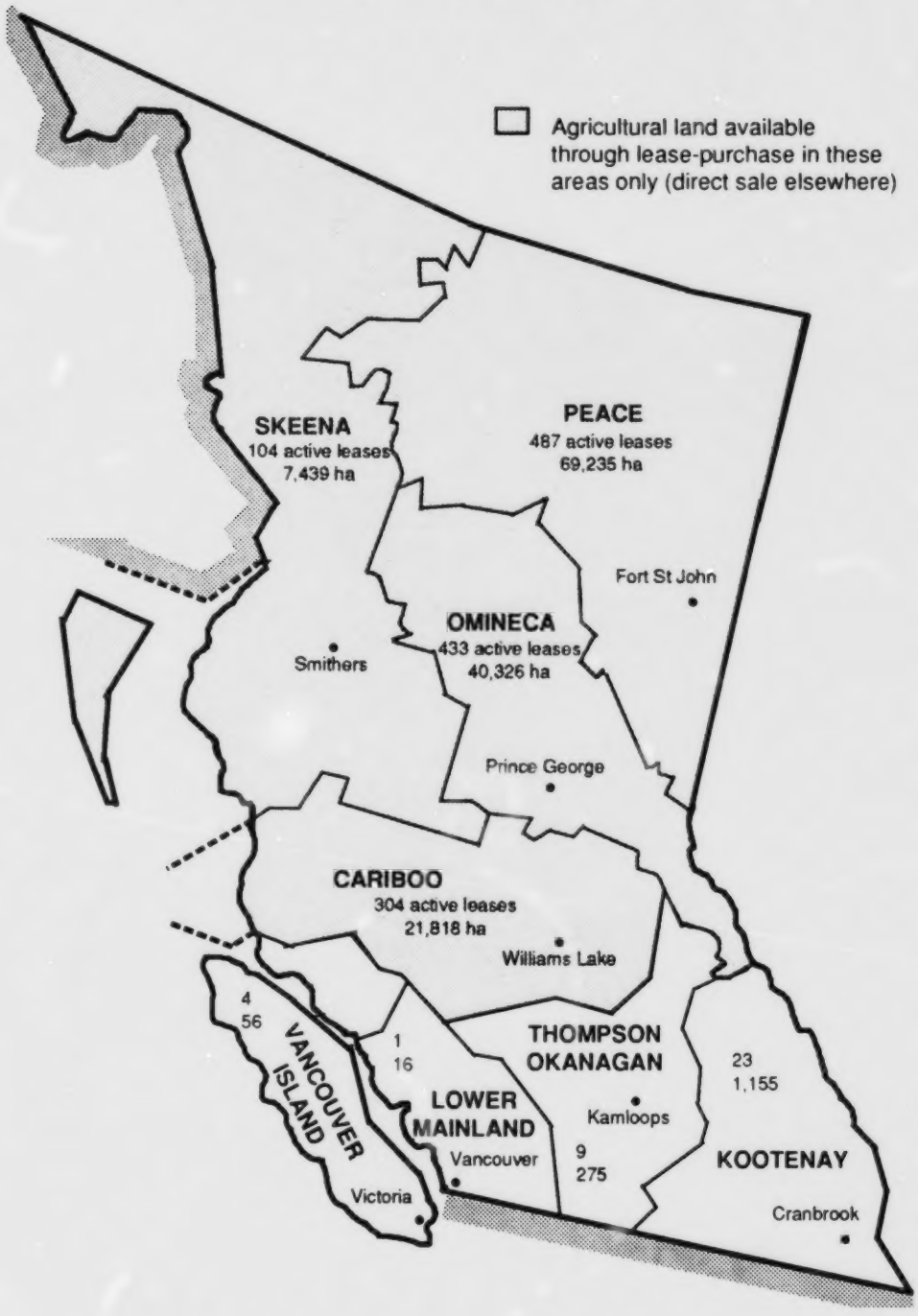
There are currently 1370 active agricultural leases, covering an approximate area of 140,000 hectares. (See Figure 2) This land roughly represents $38 million in asset value. The average lease size is about 100 hectares.

Total annual lease rental paid to the government in 1988/89 will be roughly $930,000, an average annual rental of $6.50 per hectare. Other direct financial benefits to the province are generated through auction bids, stumpage payments for timber removal from leases, and property taxes. Less direct financial benefits of the program include farm income taxes and spin-off effects in the service sector supporting agricultural lease development.

There are at least six different types of lease agreements in place for the 1370 existing leases, each type containing different provisions. This reflects the numerous policy changes

FIGURE 2

Number and Area of Agricultural Leases Administered by Ministry of Crown Lands



that have occurred over the years. Participants in the Inquiry complained of inconsistent application of policy, a large part of which is undoubtedly due to the complexity involved in administering a diversity of tenure contracts.

In attempts to be fair, the standard Ministry practice has been to permit existing lessees to convert to newly adopted policies in order that they may receive any benefits of the new policy. Upon conversion to a new policy, a lease is considered to be a new tenure for the purposes of rental calculations and tenure term. This, in effect, extends the time limit for bringing the land into agricultural development; in some cases for up to 10 additional years. The administrative burden of lease conversion was particularly evident during the latest significant policy change in 1986. It was estimated that over 50% of all program administrative effort from 1986 to 1988 was dedicated to lease conversions.

1.3.2 Current Agricultural Lease Policy

The essential features of the Ministry's current agricultural lease policy are:

- ten year lease term;
- leases are allocated either in response to individual applications or by public auction. Applications within Provincial Forests are accepted only from existing farmers;
- annual rent is 1% of the appraised market value in years 1-5; 5% in years 6-10 (the increased rental paid in years 6-10 is deducted from the purchase price of the land);
- purchase price is the initial contract price or the current market value, whichever is less, minus rental credits and minus a clearing credit of $750 for each arable hectare brought under cultivation;

- 25% of the arable land must be cultivated in order to qualify for purchase;[1]

- timber may be removed under the conditions of the license-to-cut, issued by the Ministry of Forests. Stumpage is payable;

- the land under lease is included in the Agricultural Land Reserve if it is not already.

See Appendix 6 for the Ministry of Crown Lands summary policy Statement for "Large Parcel Agriculture".

1.4 The Nature of Northern Agriculture

Agriculture in the areas where this program is available takes on many forms, however, the primary agriculture activities that the agricultural lease program supports are production of forage, hay, and grain (notably in the Peace). Livestock is commonly raised in association with these crops.

The agricultural productivity of the Crown lands that are potentially available for allocation under this program is highly variable, depending on what the land is used for, and the level of management and capital that a farmer is prepared to invest into the land. It is, however, safe to say that, compared to other parts of B.C., where agricultural limitations are fewer and less severe and compared to the quality of most provincial agricultural lands already in private ownership, the Crown lands in question have relatively low agricultural capability.

1 "Arable" land is defined as Crown land with a capability rating of Class 1 through 4, and on occasion, may include Class 5 lands when in combination with higher capability lands.

"Cultivated" is defined as clearing, breaking and preparation of the soil to the extent that the land is ready for seeding and is suitable for the use of conventional mechanized crop seeding and harvesting equipment.

These lands have been described to me on occasions as "marginal agricultural lands". I do not, however, find questions about the biophysical capability of these lands to be as relevant as questions regarding their present economic suitability for agriculture.

The following general trends are significant in this regard:

- Farm income of all farm families in B.C. is decreasing;
- Only 8% of B.C. farm families' total net income came from the farm in 1985. 92% came from non-farm sources. In 1980 the ratio was 13% and 87% respectively;
- Over 70% of B.C. farmers are part-time farmers;
- Between 1980 - 1985 the number of B.C. farms reporting farm losses increased by 20%;
- The B.C. farm population is aging. The 1981 average age was 48; the 1985 average age is 50;
- Although the beef herd in B.C. is presently experiencing an increase, it can be expected to decline again in several years, consistent with cyclical patterns.

Although I cannot draw specific conclusions about the future health of northern interior agriculture from the above few trends, I can only infer generally from the above, and from the submissions made to me, that this sector will not experience significant economic expansion in the near term. It may, in fact, experience economic decline.

2.

WHERE FROM

AND

WHERE TO?

2.1 An Assessment of Recent Program Performance

There is essentially no empirical information available to judge with certainty whether or not the Ministry's agricultural lease program has been successful in contributing to agricultural stability in B.C. Certainly, a large amount of Crown Land has been allocated under this program, and if amount alone is the measure of performance, then the program can be judged a success. Clearly, however, the primary measure of program success must be the degree to which the land that has been allocated under the program continues into the long term to be used productively for agriculture. It is only through bonafide agricultural use of the land that the program can possibly contribute to development of the agricultural industry.

In this regard, the agricultural leasing policies in place since 1980 are the ones that I have heard the greatest complaint about. There are about 140,000 hectares of Crown land presently being developed under the provisions of these policies (i.e. just over 20% of the total program allocation of 650,000 hectares to-date). About 40,000 hectares have been deeded under post - 1980 policy provisions. Therefore, about 180,000 hectares, or 28% of the entire program allocation, have been disposed under the post-1980 policies. It is this component of the program to which my observations and comments primarily relate.

It has been said to me that it is too early to judge program success, given that it takes many years, and perhaps several owners before a viable farm can be created from raw land.

While it is no doubt true that new farm development can be a lengthy and arduous process, most critics of the agricultural lease program perceive that post-1980 land allocation has been premature, given that the allocation has not been based on favourable current or projected farm economics. Program critics

have argued that this premature allocation has cost them significant lost opportunities in the present.
I uphold the view that the relative success of the agricultural lease program cannot be considered independently of other potential users of the same land base. In this sense, it is my observation that the agricultural lease program, as it has been implemented since 1980, has not been particularly effective. This observation is based on the following three sets of information.

a) Submissions Made to the Inquiry

The Commission was presented with a vast array of comments and opinions on this program. Many were positive; many more were critical. Most complaints were of a personal nature regarding specific experiences of unfair or inefficient treatment at the hands of the bureaucracy. However, the most commonly made general comment was that it was open to abuse by timber speculators. Many accounts were given of "log and run" operators, who had little or no intention of actually using the leased land for bonafide agriculture. The reported result is thousands of hectares of leased land that now sits idle.

I have not made specific investigations of individuals' allegations or statements. No doubt some are perceptual and some are actual. Certainly the Ministry of Crown Lands' files which chronicle the history of this program contain many references to the problem of timber speculation and attempts over the years to deal with it through policy adjustment.

b) Field Reconnaissance

During August, 1989 I personally observed, primarily by helicopter overflight, every main area in which agriculture lease activity has occurred under this program.

I observed that there have been many successful and productive farms developed and assisted under this program, but the large amount of leased land which has been logged and left idle is a disturbing fact, which clearly suggests that some significant policy changes are warranted.

c) An Understanding of Policy and Market Forces at Work

The performance of the agricultural lease program has been placed into particular question since 1980 when the program was liberalized to enable broader program access. After 1980, an applicant was no longer required to qualify as an "established farmer" in order to participate in the program. Also, greater amounts of Crown land were marketed through open public auction which provided a "forum" for non-local and non-agricultural interests to participate in the program. As timber values increased into the 1980's, so did program demand, until policy measures were taken in 1986 to place some limitations on access to timber, and the permitted rate of timber cutting.

The program attracted many applicants with good intentions, but often with limited farming experience and insufficient capital to develop raw agricultural land. Some existing farmers reported that they applied for land or entered auctions before they were actually prepared to expand, but felt pressured to do so before the suitable land around them was allocated to someone else.

The 1980 policy (and subsequent policy changes in 1986) saw reduced cultivation requirements, and lowered lease holding and acquisition costs in the form of reduced annual rentals, and purchase price reductions. These measures further stimulated a demand for agricultural leases that was (and is) unrelated to the real agricultural value of the land.

This is amply demonstrated by the fact that, on a hectare for hectare basis, the cost of acquiring and developing an agricultural lease almost always far exceeds the cost of purchasing private cultivated land in the same general area. Further, there is no shortage of supply of private agricultural land, as evidenced by the number of current listings on the private market in most areas where lease activity has occurred.

There are other factors which I find to have also contributed to the under-development of agricultural leases. The economic recession of the early 1980's tightened the supply of money available for investment into agricultural expansion and development. Yet this period saw some of the most active Ministry marketing of agricultural leases in the history of the program, consistent with government thrusts for revenue increase. Government's restraint program in the early to mid 1980's made monitoring and enforcement of lease performance difficult for the implementing agencies. Also in the mid 1980's, the Ministry of Crown Lands is reported to have undergone a significant shift in organizational priorities which placed great emphasis on quick and positive service to "clients". This has been suggested to have unduly influenced agricultural lease disposition decisions.

I also heard from numerous sources that "political interference" played a large part in the allocation of some lands that were arguably unsuited for agriculture. In the estimation of many individuals and agencies not aligned with the agricultural industry, the limited agricultural quality of the lands in question is the primary reason for program under-performance.

I find that all of the above factors combined are reasons why much of the land allocated under the agricultural Crown land

lease program has not been developed in line with the basic program intent.

2.2 Re-Orienting the Program - Challenging Past Assumptions

The agricultural lease program appears to have been delivered on the basis of a fairly clearly stated goal to support the growth of the agricultural industry and to enhance B.C.'s self-reliance in food production. The program has ostensibly recognized that the greatest gains in the health of the agriculture industry must come as a result of improvements in markets and infrastructure. The program strategic goal states:

> "...the greatest contributions to this growth [in the agriculture industry] can be expected through public and private initiatives involving such activities as development of markets, strengthening of the processing sector, and more efficient use of existing agricultural land. **To a lesser extent, growth in the industry can be achieved through the release of undeveloped public lands for extensive agricultural use,...** (my emphasis)."

To my knowledge, however, there is no provincial strategy in place for the agricultural industry which clarifies and guides the extent to which further agricultural expansion onto public land is actually needed to achieve broader government objectives for the agricultural sector. There would appear to be a need for a more active role of the Ministry of Agriculture and Fisheries, to establish directions for the industry. Part of this should be a determination of agricultural land needs in British Columbia, including future Crown land needs, relative to other strategies for achieving provincial agricultural goals.

It is perhaps not surprising that this broad direction for agriculture does not presently exist, given the resource and land use inventory costs involved, and the fact that agriculture is only one potential use of the Crown land base which must be

rationalized against other uses. It points to the fact, however, that the agricultural lease program has operated without parameters or boundaries on its scope or direction.

It would appear that past widespread release of Crown land under this program has occurred under the assumption that it was contributing to stability in the agricultural sector, and development of a stable economic base in B.C.'s northern interior communities. While this is undoubtedly true in many instances, based on what I have heard and seen, I suggest that the assumption is weak and that the **intensified use of land already allocated for agriculture should be the thrust before additional public lands are allocated for agricultural development.**

This proposed direction is supported by the widely held view of Inquiry participants that the Crown land base in B.C. is subject to tremendous competitive pressure from a range of interests and groups, each of which would propose to allocate and use the land base differently. It has been clearly expressed that no one sector should be provided a priority status by government to expand its foundation at the expense of another, unless there is clear and defensible justification for so doing.

Moreover, existing private agricultural lands, compared to remaining raw agricultural Crown lands, have a comparatively greater productive capacity. Quite simply, the best agricultural lands in B.C. have already been allocated. From an overall efficiency point of view, it makes little sense for government to promote widespread conversion of public land to agriculture when there is apparently little present economic motivation for farmers to optimize the agricultural use and management of the farmlands they already own.

2.3 Sustainable Rural Development As the Goal

A further rationale presented to the Inquiry for more careful disposition of Crown land under this program is the need for government resource programs to be compatible with the principle of "sustainable development". This term was expressed often in the course of the Inquiry, and I have had the opportunity to review and consider the recent report of the B.C. Task Force on the Environment and Economy. There is no argument that, in concept, the principles of sustainable development should form the foundation for the Ministry of Crown Lands program for agriculture. The challenge, however, lies in giving practical meaning to the term "sustainable development", that can guide the formulation of an improved agricultural lease policy. Specific suggestions made to me include improved resource capability inventories and planning as a basis for further agricultural Crown land allocation decisions. These are no doubt sound proposals.

I would further suggest that the term "sustainable development", in relation to this program, must mean the extent to which the program contributes to **vibrant and stable rural economies**. It must be recognized that regional and rural stability is particularly dependent on the health of the local natural resource base, compared to more urban economies where a proportionally larger service sector adds resilience to the economy. For this reason, it is essential that Crown land and resource programs and policies, and ensuing decisions, be based on sound stewardship and resource management principles.

My perception is that the potential for high individual benefits has largely shaped this program, and that it has not been well justified in terms of overall social benefit. In this regard, the future expansion of agriculture onto Crown land in B.C. <u>without</u>:

* full consideration of the alternative uses of the land in question;

* clearly demonstrated economic need of that expansion; and

* assurances that the land will be actually used and managed for its intended use;

will, in the long run, I suggest, contribute to social costs in the form of rural economic decline.

Increasing the amount of Crown land allocated for agriculture is, in itself, pointless unless all of the other conditions (such as agricultural markets and supporting infrastructure) are in place to ensure productive use of that land. This is particularly true, for example, around the settlement of Fort Nelson in northern B.C. Agricultural residents of this community expressed a need for further Crown land allocation for agriculture in their area, and argued for a relaxation of program eligibility requirements. I am not convinced, however, that without corresponding improvements in that region's competitive position through improved transportation links, development of a supporting agricultural service sector, etc., that there would be any benefit in a special Crown land disposition policy for this area. In fact, I suggest that such a policy would yield very little agricultural product, but would create further conflicts with competing interests for the resource base, such as the forestry sector.

Certainly agriculture has been a primary foundation to rural economic diversity and stability, and there is a need to make some suitable agricultural land available for legitimate agricultural expansion. The agricultural lease program, however, should be re-oriented towards the need for sustainable rural development. This implies a need for a greater consciousness of the potential impact of unrestrained and unjustified Crown land

allocation to agriculture on other resource users.

The protection of the arable land resource from irreversible conversion or loss, however, in order to accommodate future increases in demand for agricultural products, should be an essential part of government policy. Therefore, I totally support the long term protection of the agricultural land resource through the Agricultural Land Reserve mechanism.

A further effect of an unabated expansion of the supply of agricultural land is the effect on agricultural land values. It has been suggested to me that large scale marketing of agricultural Crown land over a short period of time in some regions has contributed to serious declines in individuals' farm equity through a general decrease in farmland values. I am aware of the importance of a good equity situation for farmers to secure loans for equipment, livestock, etc. Ironically, therefore, this program which has been aimed at enhancing agricultural self-sufficiency, may have contributed to economic instability for some farmers.

2.4 Demands for Rural Lifestyles and for Diversified Ranch Operations

2.4.1 Large Parcel Rural Residences

There is a certain demand for agricultural leases from individuals who wish to use the land basically as a rural residence. Their priority is a remote and peaceful existence with enough land to do as they wish. Certainly, the post-1980 agricultural lease program has been used by some to realize this lifestyle. However, the contributions to agriculture of large parcel rural residential subdivisions is limited, and the potential public costs of providing services to these residents is high. I therefore question the future legitimacy of these

dispositions.

2.4.2 The Expressed Land Needs of Ranchers

Many members of the ranching community expressed a need for access to the following three types of resources in order to diversify their operations and stabilize their incomes:

a) Crown Land under the Ministry of Crown Lands agricultural lease program for cultivation and the development of improved pasture;

b) Crown Range under the Ministry of Forests Range Program for grazing cattle; and

c) Woodlots under the Ministry of Forests Woodlot Program for small scale forestry.

The greatest apparent need is for improved pasture. Many members of cattlemen's organizations suggested that the agricultural lease program should be relaxed to enable the purchase of leases that are developed as improved pasture, as opposed to a more intensive state of cultivation, which is the current policy requirement.

It would seem that the Ministry of Forests Range Program cannot provide sufficient amounts of improved pasture to accommodate all sources of demand. Accordingly, the Ministry of Crown Lands agricultural lease program is under pressure to fill that demand. Indeed, I was told examples of individuals that have cultivated their existing deeded improved pasture in order to qualify for an agricultural lease. Others expressed that they would use the cultivated areas of their lease for pasture as soon as the lease was purchased.

Operators would like to have the maximum tenure security as a basis for investment into creating good pasture land, and see the Ministry of Crown Lands agricultural lease program as a way of

achieving that security.

Other farmers and ranchers stated their desire to practice small scale forestry. The popular Woodlot Program of the Ministry of Forests cannot, however, meet the apparent demand. It was suggested that government should develop a "silvicultural lease to purchase program" where a lessee would be granted title upon achieving a specified level of forest management on the land. I also heard that there should be increased incentives for farmers to practice silviculture on the non-arable portions of their operations, be they deeded or leased.

Many of these ideas no doubt have merit and could, I believe, strengthen B.C. regional economies. Implementation of these ideas, however, is not simple, and certainly I am not prepared, nor authorized in the context of this Inquiry, to provide government with comprehensive recommendations on what are effectively range and forestry management issues.

The question that must be asked is, "should the Ministry of Crown Lands agricultural lease program be used as the vehicle to accommodate the stated needs of ranchers for more secure range rights and for land upon which to practice small scale forestry?"

My response to this question is that a Ministry of Crown Lands program for agricultural land allocation cannot possibly be all things to all people, and function successfully. If existing government programs for range or woodlots are not meeting needs, then those programs should be adjusted, but the Ministry of Crown Lands agricultural lease program should not replace them or compete with them. The result could only be conflict and confusion.

I maintain that a rationalized Ministry of Crown Lands agricultural lease program, <u>aimed specifically at providing Crown</u>

land for cultivation, will enable further allocations under the range and woodlot programs. In my view, this is the most responsible approach that government could adopt for achieving the diversity and stability that individual operators are seeking.

However, with a tightening of access to the Ministry of Crown Lands agricultural lease program, there may be a need for complementary adjustments to the range and woodlot programs of government. I am aware, for example that an outcome of a recent Ministry of Forests Range Program review is a proposal for greater Range Act tenure security for some ranchers. Based on my findings, I would certainly support that direction.

Based on submissions advocating greater farmer access to woodlots, I also support the recent Ministry of Forests response to Mr. Jack Bakewell's review of the Ministry of Forests woodlot program to increase opportunities for small scale forestry in B.C. But I also go one step further and support changes in Ministry of Forests woodlot allocation policies to encourage a greater degree of integrated farming/forestry operations, by providing adjacent farmers with preferred status in obtaining woodlots.

GENERAL PROGRAM RECOMMENDATIONS:

1. The Ministry of Crown Lands should re-orient the agricultural lease program to achieve consistency with the goal of sustainable economic development. To achieve this, the provincial priority should be the intensified use and management of the existing, privately held agricultural land base in British Columbia. At this time, new agricultural Crown lands should be made available only for purposes of existing farm expansion in order to enhance farm viability. This policy should be applied province-wide.

2. The agricultural lease program should retain and strengthen its current focus on providing suitable Crown land for "cultivation purposes". The program scope should not expand

into Crown land allocation for grazing nor small scale forestry purposes.

3. Any further widespread allocation of Crown land for agriculture in B.C. should be preceded and guided by a provincial strategy which justifies the need for Crown land allocation to the agricultural sector in relation to other interests and sectors seeking to use the same land base. In contributing to the eventual development of this strategy, the Ministry of Agriculture and Fisheries should take the lead in proposing provincial directions for the northern interior agricultural sector, which may or may not include policies for agricultural expansion onto Crown land. This work should entail an inventory and analysis of levels of use and management on existing privately owned farmlands.

3.

NARROWING PROGRAM ACCESS

3.1 Deciding Who Can Participate - An Administrative Problem

I received many specific suggestions on how to "tighten-up" access to this program in order to encourage bona fide agricultural development of the land. The difficulty in assessing these suggestions is deciding which methods will be effective in achieving the stated program goal, and which can be implemented **efficiently**, **fairly**, and **consistently**. Former agricultural lease policies all had eligibility restrictions associated with them, and I heard repeatedly that program administration is **slow**, **unfair** and **inconsistent**.

The effects of "continuously" changing policies, and related questions around lessee eligibility to benefit from policy changes, are at the centre of complaints about unfair administration. Excessive regional discretion on policy interpretation and implementation was also cited widely as a main reason for unfair program administration.

I am convinced that inconsistencies and unfairness have indeed occurred for both of these reasons. However, these reasons are not, in my view, the particular fault of program implementors. I am satisfied that government staff have, overall, made genuine efforts to deliver this program fairly and consistently in line with policy direction, but have been thwarted in fully achieving this by the high degree of subjectivity that is inherent in applying the eligibility criteria related to this program.

This underscores the need that any proposed changes in eligibility criteria should be as clear and as objective as possible. However, I believe that there are certain limitations on the degree to which this program's eligibility criteria can be objectively applied in all cases. I do not foresee that complaints about unfair or inconsistent administration will ever be totally eliminated, so long as restrictions on program access

are in place. There will inevitably be complaints of the arbitrary nature of criteria and their applications. Nonetheless, there should be measures in place which attempt to ensure overall fairness and consistency.

The criteria that have been suggested to me as the basis for program restriction can be grouped into three general categories:

- Applicant Restrictions
- Crown Land Requirements
- Purchase Qualifications.

Each of these are identified below in the form of questions raised by the subject.

3.2 Program Restriction Criteria - The Many Options

3.2.1 Applicant Restrictions

The following options could theoretically be used to define which individuals have access to this program.

a) Definition of "Existing Farmer"

i) Level of Applicant's Farmland Ownership/Development

- Is there a minimum or maximum area of agricultural land that an applicant should own privately?
- What amount or proportion of an applicant's existing holdings should be developed or undeveloped for agriculture? What constitutes "developed"?
- Is there an upper limit on the number of agricultural leases, or the area of land leased, that an individual should be permitted at any given time?

ii) Farm Income Factors

- Should an applicant be required to show that a certain amount or proportion of his income is generated from farm sources? If so, what amount or proportion is

appropriate and how should that information be obtained?

iii) Farming Experience/Training

- Should an applicant be required to demonstrate his farming abilities? If so, what should these be?

b) "Demonstrated Need" Criteria

- What should be the acceptable arguments that justify that there is a "demonstrated need for expansion?"
- Should an applicant be required to produce a development plan which documents the need for expansion onto Crown Land?

c) Financial Capability Criteria

- Should the applicant be required to demonstrate that he has sufficient financial backing to complete his development plan? How much is "sufficient"?

d) Residency Requirements

- Should the applicant be required to have resided and/or farmed in B.C. for a specified period prior to application?

e) Past Personal Performance

- Is the applicant a previous lessee with a "good record of performance" in developing his lease land? How do you define "good"?

3.2.2 Crown Land Requirements

These requirements refer to the characteristics of the Crown land under application by an "existing farmer".

Specifically:

- Should there be a maximum or minimum limit on the size of parcel that will be considered under an individual application?

- What proportion of the parcel under application should be classed as "arable"? Should there be a requirement for the arable portions to be a single contiguous unit?

- What is the definition of arable? Should there be a maximum amount of CLI Class 5 agricultural land that will be permitted under application? Should the amount of permitted Class 5 Crown land under application vary with the quality of the applicant's existing land holdings?

- How close to the applicants existing holdings should the Crown lands in question be located?

- Should it make any difference whether or not the lands are located within a Provincial Forest?

3.2.3 Purchase Requirements

These questions deal with the level of lease improvements that should be required as a condition of lease purchase, given the program intent to ensure agricultural development of lease land. Specifically:

- What percentage of the arable portions of the lease should be required to be "developed" before the lessee is entitled to exercise his purchase option?

- What should be the definition of "developed"?

- Should the lessee be required to "bind or consolidate" the title of the lease land with his private land to prevent the separate sale of the parcels and, thus, the fragmentation of the farm unit into non-viable portions?

3.3 Selecting the Appropriate Criteria

I received considerable advice and input on all of the above questions. There was some consensus, notably that the definition of "existing farmer" should include a requirement for farmers to have developed a major proportion of their private arable lands, and that the existing 25% cultivation requirement for leases should be raised significantly.

The policy decision as to which of the above factors are the best way to screen access to this program must be based on how fairly and efficiently they can be applied. In this regard, many of the above identified factors should not be considered under a revised policy. Some of them simply require too much information that is difficult, expensive and time-consuming to assemble; some information requirements, particularly financial, are personal and confidential and applicants would resist requirements to collect it; some of the potential criteria are far too open to subjective interpretation; and some too arbitrary in themselves. Criteria which, in my estimation, are suitable for consideration in screening access to this program are recommended at the end of the next section. These recommendations are consistent with my earlier "general program recommendations" to allocate Crown land for agriculture only to individual situations where expansion is necessary to enhance farm unit viability. With this intent in mind, program activity should be closely monitored by the Ministry of Crown Lands to determine whether or not the recommended screening criteria are achieving the program intent.

3.3.1 Policy Differences to Reflect Regional Variations?

One other important question is, "Should there be different policies on program access for different regions in B.C. to reflect the different economics and geographies of those regions?" This is particularly relevant for the Peace River region where there remain some large blocks of undeveloped arable Crown land, where grain crops can be grown economically, and where timber resources have not stimulated agricultural lease demand as they have in other regions in B.C. Conceivably, some further marketing of new farm opportunities could occur in the Peace.

Despite these differences, I do not think that **major** differences in policy are warranted at this point in time for different B.C.

regions. In all regions, the program should be limited to providing existing farmers with the opportunity to expand and enhance their viability.

However, there may legitimately be some **minor** variations on program access criteria required to accommodate regional differences. For example, the definition of "existing farmer" may differ somewhat for a grain farmer applicant in the Peace from that of a cattle ranch applicant in the Cariboo. Further consideration should be given to possible "fine-tuning" the broad program criteria to reflect regional and/or farm type variations.

RECOMMENDATIONS:

1. The following criteria should be used by the Ministry of Crown Lands as the basis upon which to decide access to the Ministry's agricultural lease-purchase program.

2. As part of the process to define and document these criteria in the form of a standardized Ministry of Crown Lands policy statement, Crown Lands should consult with Ministry of Agriculture and Fisheries personnel and appropriate representatives of the agriculture industry to confirm these criteria, and obtain advice on whether or not some limited variation of the criteria is warranted to reflect regional differences and/or farm type difference among applications.

3. The agricultural lease program should be closely monitored by the Ministry of Crown Lands to determine whether or not the following criteria are effectively achieving the revised program purpose to provide Crown land for the agricultural expansion of existing farms. Based on program monitoring results, there may be a need to modify the criteria, as appropriate.

a) **Existing Farmer Criteria**

- **An applicant for Crown Land under this program should be required to demonstrate that he is an "existing farmer".**

- **An "existing farmer" should be defined as an individual**

or an agricultural corporation (as defined under the Agricultural Credit Act) that owns not less than 200 acres of land that is in active cultivated production, and not more than 40 acres of arable land that is not in active cultivated production.

- An applicant should be required to justify his need for expansion in the form of a development plan which outlines the proposed use and management of the total farm unit. A standardized format and outline of contents of the development plan should be developed by the Ministry of Crown lands in consultation with the Ministry of Agriculture and Fisheries.

b) Crown Land Requirements

- The maximum area that should be permitted to be held under agricultural lease at any one time should be 320 acres.

- An individual should be permitted to have only one agricultural lease at any one time.

- The Crown land area under application should be a minimum of 70% arable. The arable area should be required to be generally a contiguous unit.

- The Ministry of Crown Lands' existing definition of "arable" should be retained, (i.e. CLI Class 5 land should still be considered for potential expansion of an existing farm, as long as the Crown lands under application are to be used in conjunction with the applicant's lands of higher agricultural capability.) There should, however, be an upper limit on the amount of Class 5 land that can be included in a farm operation in order to deter the widespread development of marginal and uneconomic farm units. As a guideline, it is recommended that an expansion application should be disallowed if the application will result in more than 50% of the applicants total farm land area being Class 5 or poorer in agricultural capability.

- There should be a requirement that the Crown land under lease application should be either adjacent to the applicant's existing holding or "reasonably close" to his existing holding. As a guideline, I suggest that "reasonably close" should be interpreted to mean within 5 road miles of the applicant's existing farm operation.

c) **Purchase Qualifications**

- **In order to qualify to purchase Crown land held under agricultural lease, there should be a requirement that a minimum of 70% of the arable area of the lease should be in active cultivated production prior to the termination of the lease at the end of 10 years.**

- **"Active cultivated production" should be defined to include agricultural development, which, over and above the existing prescribed requirements for cultivation, has also been seeded.**

- **Consolidation or binding of the title of the lease parcel with the lessee's private land title should be a requirement.**

3.4 Administering the Criteria

3.4.1 Advisory Role for the Ministry of Agriculture and Fisheries

The Ministry of Agriculture and Fisheries, as the provincial agency with overall responsibility for facilitating agriculture industry development in B.C., is conspicuously absent from any substantial involvement in the agricultural lease program. Many submissions have argued that this Ministry should have a far greater role in administering agricultural leases. I am inclined to agree that the significant expertise of Ministry of Agriculture and Fisheries field staff could greatly assist in the improved delivery of this program.

RECOMMENDATION:

Ministry of Agriculture and Fisheries regional agrologists should provide a specific advisory service to prospective agricultural lease applicants to counsel them on options for improving farm unit viability, and assisting in the preparation of development plans that would be required as a basis for justifying the need for expansion onto Crown land.

3.4.2 The Use of Committees?

It was suggested by several individuals that local committees comprised of government and agriculture industry representatives should be given the authority to screen agricultural lease applications for compliance with the criteria. This suggestion, however, raises concerns about potential time delays in application processing, and the creation of further bureaucracy. I conclude, therefore, that the Ministry of Crown Lands should retain authority for administering program criteria, with the use of qualified professional consultants, and the advisory support of Ministry of Agriculture and Fisheries field agrologists. Advisory Committees should not be used to implement the program.

3.5 Methods of Disposition

With the agricultural lease program re-focused to provide opportunities for existing farm expansion, it is evident that the Ministry of Crown Lands' practice of marketing agricultural lands through open public auction must be discontinued. Instead, applications from existing farmers will normally initiate the disposition process.

There may be situations where individuals other than the applicant could qualify to obtain the subject parcel of Crown land. This implies a need for all agricultural lease applications to be well advertised locally to determine if there are other potentially interested parties. If there are, and if the parties and the subject parcel meet the program eligibility criteria, then there is a need for some method to determine who should finally qualify to obtain the lease land. A limited entry auction among the qualified parties, with the highest cash bonus bid used to determine who obtains the parcel, is probably the most objective and efficient method in these cases.

RECOMMENDATIONS:

1. **The method of conducting open public auctions for agricultural lease dispositions should be discontinued. The Crown land application process should be the standard method of agricultural lease disposition.**

2. **All lease applications should be well advertised locally to determine, among other things, whether or not there are other qualified farmers with a potential interest in acquiring the Crown lands in question.**

3. **Where there are other qualified parties, and the land is determined to be suitable for agricultural allocation, disposition should occur through limited entry auction among the qualified parties.**

3.6 "Bounding" the Disposition Process

3.6.1 Using Independent Professional Consultants

In applying the foregoing recommended criteria, there will be situations where the Ministry of Crown lands refuses an application and the applicant disagrees with that decision. Consequently, there needs to be a review procedure in place for initially dealing with these situations, short of any formal system of appeals. The lack of an established and "bounded" process in the past for reviewing and finalizing lease applications has caused time delays and inconsistencies and has, I believe, been the underlying source of much of the negative reaction to the program by applicants.

I propose that there should be a step-by-step, "bounded" process for lease application decision-making that is made known to all and is applied uniformly.

3.6.2 Formal Appeals

The principle of "administrative fairness" presumes that individual decisions by government program administrators may be ultimately appealed to an independent body. The lack of a meaningful route of appeal of these decisions has been a specific complaint against the program.

I am aware that the Ministry of Crown Lands is actively considering the options for dealing with appeals of decisions made pursuant to the Land Act. Improvements to Section 59, to allow for independent hearing of "adverse claims", have apparently been proposed. Currently under this section, only a Ministry employee is eligible to hear a protest.

A second issue regarding appeals is whether or not an "aggrieved applicant" should have an absolute right of appeal, or should the appeal be heard at the discretion of the Minister?
On the surface, it would appear that "administrative fairness" would suffer compromise if the Minister has authority to decide whether or not to hear an appeal. On the other hand, there is the serious question of administrative cost of appeals. Surely not every minor complaint about program implementation should be fully appealable as a legal right. A reasonable compromise is to provide the Minister, whom after all is finally accountable for this program, with the discretion on hearing appeals. There should, however, be policy guidelines in place as a basis for discretionary decisions on whether or not to hear an appeal, and the manner in which that appeal will be heard.

RECOMMENDATIONS:

1. **Independent professional consultants should be used as advisors to the Ministry of Crown lands in having a "second look" at the merits of applications that have been initially refused by the Ministry of Crown lands. If the application**

is still rejected, a formal independent appeal, binding on both parties, could be heard if it was determined that the application qualified for appeal, against some pre-determined criteria.

2. Each stage in this "escalating" process should be time limited, including the period within which applicants must decide if they will proceed to the next stage.

3. The costs to the Ministry of Crown Lands of hiring independent consultants should be recovered (in part at least) in the form of a sizable fee (say $500.00) half of which would be applied as a lease rental credit if the review results in reversal of the initial Ministry disallowance decision. If it does not, there should be no refund. The name of the consultant and the terms-of reference should be agreed in advance by both parties.

4. The Ministry of Crown Lands should establish an <u>independent</u> appeal mechanism for agricultural lease application protests that have not been resolved by hiring consultants to review the situation. Appeals should be heard at the discretion of the Minister of Crown Lands. Policy guidelines should be adopted regarding when and how appeals will be heard, as a basis for the fair application of Ministerial discretion on appeals.

4.

THE QUESTION OF RESOURCE RENTS

4.1 Timber Pricing

4.1.1 Profit Potential From Timber on Agriculture Leases

The attraction of timber profits from agricultural leases is the source of most complaints and problems associated with the agricultural lease program. Profit motive has stimulated a demand for agricultural leases, from both farming and non-farming groups, that is largely unrelated to the agricultural potential or value of those lands. This combined with an "open door" policy in 1980 that permitted lease ownership by non-agricultural interests, has clearly yielded poor program results. Bonafide farmers who re-invested timber profits into agricultural lease development, consistent with the program intent, expressed their frustration that program abuses have been permitted. Farmers with agricultural leases that have zero or insignificant commercial timber values perceive unfairness in the system.

The program has operated in the past on the apparent assumption that is acceptable for lessees to receive a profit from timber due to the relatively high costs of clearing and cultivating these lands.

As timber values increased into the mid - 1980's, combined with a resultant increase in demand for agricultural leases and associated reports of program abuses, some controls on access to timber were introduced. In 1986, Crown lands located within Provincial Forests were restricted from lease applications except from "existing farmers", and a definition of "existing farmer" was created. Limits on the rate of access to timber on leases within Provincial Forests, were also established.

Shortly thereafter in 1987, the Minister of Forests announced province-wide changes to stumpage rates. The former stumpage calculation system was replaced with a system known as

"comparative value pricing" (CVP). Generally speaking, the result was a fairly significant increase in stumpage rates for Crown timber, including timber on agricultural leases. Much confusion and bitterness ensued regarding lessees' rights to remove timber at old versus new stumpage rates. Inconsistencies in administration of timber cutting approvals on agricultural leases unfortunately exacerbated the problem.

The CVP stumpage system takes into account, among other things, comparative variations in the quality and accessibility of timber. A stumpage premium is paid under the CVP system by agricultural lessees to reflect that there are no silviculture costs associated with the timber. Consequently, stumpage rates paid for timber from agricultural leases can be somewhat higher than average rates paid by major forest licencees. Farmers see these differences in stumpage requirements as unfair.

Conversely, it has been stated that timber on non-auctioned agriculture leases is underpriced due to the fact that this timber would otherwise be disposed of under the Small Business Enterprise Program of small operator auctions. Bonus bids for the right to acquire timber under this program invariably generate significant revenues to the Crown, over and above the administered CVP stumpage rates. These bids reflect the fact that no associated silvicultural investments are required of the bidder that acquires the timber rights.

Where agricultural leases have been auctioned, true market value for timber has generally been obtained by the Crown. However, not all leases have been disposed of by auction in the past. Moreover, if my earlier recommendation is accepted to discontinue the use of auctions for lease allocation, or to hold only limited-entry auctions, then the potential to under-price Crown timber on agricultural leases remains an issue.

Application rates for new leases have apparently declined significantly since the implementation of CVP stumpage in B.C. I heard from some farmers that there are no longer any significant profits to be made from timber on leases and that any profits that may remain are required to offset cultivation costs. On the other hand, government staff have indicated that there remain sizeable timber profit margins and that these are still influencing demand for timbered leases, particularly for leases within Provincial Forests where applications are restricted to existing farmer expansion, and where auctions are consequently not held. I am advised that interior mills are prepared to pay a relatively high price for "private" wood in order to supplement their "quota" wood supplies, and thus maintain higher production levels in times of high market prices for mill products.

I have not made a detailed economic study of timber profit potentials. However, basic knowledge of current average timber prices, stumpage rates and average volumes of merchantable wood on timbered agricultural leases shows clearly that, although CVP stumpage may have removed some profit potential, there are indeed sizeable net profits still to be earned in many cases. The Northern Interior Lumber Sector of the Council of Forest Industries estimates an average net return from timber alone on a lease site of average productivity in the Prince George area to be currently about $3000 per hectare. My crude calculations put the net profit figure on the average timbered lease in the same general area to be about $1,200 per hectare. This amounts to net timber profits in the range of $100,000 and up for a standard lease containing typical volumes of merchantable timber.

It is acknowledged that there is tremendous variability among timbered leases in what these returns might be, depending on cost and price variables. One of the most significant variables is whether or not there exists local competition from the mills to purchase a lessees' logs. Where little or no competition exists,

profit potential can be reduced or even eliminated. In most situations, however, there is currently a strong demand from mills for agricultural lease timber.

There is also the matter of the Ministry of Crown Lands purchase price credit of $750 for every hectare of arable land placed into cultivation. Clearly, however, the financial benefit of the cultivation credit remains small compared to that of timber profit potential on most timbered leases.

4.1.2 Towards Market Value Timber Pricing

My concern with the existing pricing system for timber on agricultural leases lies in the effect that the profit motive has on stimulating lease demand that is unrelated to agricultural need. Certainly, timber profit potential has driven past program demand, and the result has been poor land management.

I do not object to the notion that there should be some reasonable levels of profit inherent in the timber. Nor do I object to the idea that the farmer should be the individual to enjoy the benefits of those profits. I am concerned, however, with "unreasonable" profit potentials in timber on agricultural leases. It is my belief that net logging returns of $100,000 on an average timbered agricultural lease are unreasonable, and will most certainly continue to influence an artificial program demand.

This situation raises the spectre that the province is currently not obtaining fair value for timber from agricultural leases. The question of whether or not CVP stumpage collected from agricultural lease timber represents **fair market value** for the resource is difficult to answer with certainty. Suffice it to say, however, that if the timber on these leases was auctioned under the province's Small Business Enterprise Program, it would

fetch a significant premium, over and above CVP stumpage requirements. From the layman's point of view, and I believe from the perspective of the general public interest, timber pricing for agricultural leases which enables logging profits at these levels reflects a seriously flawed policy.

Arguably, a narrowing of program scope to existing farmers only, and accompanying requirements for higher cultivation levels, would reduce concerns over the effects of high timber profit potential. Instead, these directions raise the concern in my mind that only a select group of B.C. farmers would be able to receive this benefit.

Questions of fairness are also raised where individual lessees benefit to greater or lesser degrees depending on timber volumes on their lease, variability in costs, local log prices, etc. My contention is that a provincial timber pricing policy for agricultural leases should attempt to create a "level playing field" among lessees. The policy should be neutral for all lessees in terms of benefits and effects.

In my opinion, market value pricing, of any commodity or service, provides a sound basis for equality and neutrality. Surely these must be the primary goals of government in this situation. If, government wishes to provide subsidy to encourage a particular rate or type of lease development, then there are more direct and fairer ways to do so than through timber pricing benefits.

4.1.3 Options for Securing Market Value Timber Pricing

Several methods have been suggested to me as ways that the Crown might introduce market value pricing for timber on agricultural leases. These include:

a) Pre-Logging under Small Business Enterprise Program

Under this option, the Ministry of Forests would conduct a Small Business sale of the timber prior to lease disposition. The lessee would have the opportunity to participate in the auction. Logging would occur under special instructions to facilitate subsequent cultivation by the lessee.

This method has occurred on a limited experimental basis in the past. The results are reported to have been of limited success, with the primary complaint being that the land was not left in a state that facilitated cultivation. This problem could presumably be overcome if the prospective lessee is involved in setting out how logging will occur, and through close monitoring of the logging phase.

b) Independent Appraisals

This option implies that timber on agricultural leases can be appraised to reflect current local markets and conditions. The lessee would pay a stumpage rate which left him with a predetermined level for profit and risk. (e.g. 20% profit and risk allowance, over and above logging and transportation costs).

The main problems that I foresee with this option are the conflicts that would inevitably arise over appraisal methodologies and appeals, and the arbitrariness of selecting a profit and risk allowance. Also, agricultural lessees do not always take all of the timber off their lease at once - it is often removed in stages over the ten year lease term. This would imply the need to re-appraise the timber for each licence to cut that a lessee obtains in order that stumpage payments reflect current market prices and costs.

c) Small Business Program Averages

Under this option, lessees would pay the CVP stumpage rates, as an "upset" amount, plus the recent average premiums that are bid locally for the species in question (i.e. over and above the CVP rate) under the Small Business Enterprise Program.

The attraction of this option is that, if well implemented, it would derive stumpage payments that very closely reflect market values, since the stumpage would be based on actual auction bidding in the area.

The above suggestions each have associated pros and cons. The best option, however, from my perspective is (c) above - i.e. relying on local Small Business Enterprise Program bidding to set the value of timber. It is really only through auctioning of timber that its true market value can be fairly determined. Reliance on local Small Business values would appear to be the "next best thing" to auctioning the actual timber on the lease, and which will still enable the lessee to control the way in which logging and clearing occurs.

In some cases, direct control of logging methods may not be important to a lessee, and the timber could be removed under the Small Business Program, with appropriate conditions attached to the cutting permit.

RECOMMENDATIONS:

1. **The Province should ensure that all merchantable timber that is removed from agricultural leases is priced at current market value levels.**

2. **The approach that the province should adopt in applying market value pricing for merchantable timber on agricultural**

leases, is to calculate stumpage at the CVP rate as an "Upset" amount, plus the current premiums that are bid in the local area under the Small Business Enterprise Program.

3. **The Ministry of Forests and the Ministry of Crown Lands should jointly establish workable policy and procedure for implementing the above approach.**

4.1.4 Ensuring Agricultural Development on Logged Areas

Considerable efforts are currently made by program implementors to ensure that once leased land is logged, it is cultivated to a minimum level. To achieve this, many leases are subject to a policy which permits lessees to access only 32 hectares at a time. Twenty-five percent of the 32 hectares must be cultivated before the lessee can log the next 32 hectares, and so on. This system involves a tremendous administrative commitment by both the Ministry of Forests and the Ministry of Crown Lands. The process has also resulted in many lessee complaints of delay, bureaucracy and high development costs.

It is apparent that this administrative problem stems primarily, once again, from timber profit potentials. I propose that the problem will be overcome if market value pricing is obtained for agricultural lease timber, and if program access is narrowed to existing farmers only. With these two changes, it can be assumed that lease development will be motivated for reasons of legitimate farm development, and will occur at a rate and in a manner totally consistent with bona fide agricultural development. Consequently, administrative effort in trying to monitor and enforce cultivation should be far reduced.

RECOMMENDATIONS:

1. **Each lease development plan should specify the location of arable vs. non-arable lands, the timing for logging and cultivation of arable lands, the methods to be employed, and**

other information as required. The development plan document should be the basis upon which lease performance is monitored and evaluated.

2. **The present policy of incremental access to logging on arable lease lands should be discontinued.**

3. **The Ministry of Crown Lands should closely monitor the results of the revised program, and within 2 - 3 years of implementation, evaluate whether or not the policies of limiting program access to existing farmers and market value pricing are, in themselves, ensuring sound performance on leases. If they are not, the Ministry should re-instate the current policy of incremental access to timber, or alternatively, adopt a system of hold backs on a portion of remaining timber profits until the required development has occurred.**

4.1.5 Stumpage Deferral

The current agricultural lease policy provides lessees with the opportunity, at the time of lease purchase, to defer payment on the remaining timber on the lease until the wood is actually cut at some later date. This prevents lessees from having to raise the money to purchase remaining timber, and lessens the chance that remaining timber will be immediately logged to pay for the timber purchase after the land is deeded.

This policy is enforced by a relatively cumbersome administrative arrangement. A restrictive covenant is placed on the title of a parcel with deferred stumpage. When an application is made to the Ministry of Forests for a timber mark to remove timber, staff are required to check the title to see if stumpage is payable.

Concerns have been raised that the value of the incremental increase in timber growth, between the time of Crown grant and application for a timber mark, accrues unfairly to the land owner. It has also been stated that stumpage deferral is one

additional special benefit under this program that increases the speculative demand for leases. Questions have also been raised as to the ability to effectively enforce restrictive covenants, and the related concern that stumpage will never actually be paid for this wood.

Given the earlier recommendation to increase the required proportion of developed arable area on leases, the future volumes involved in stumpage deferral should consequently be far reduced, thus minimizing concerns about unfair lessee benefits of incremental growth, and also concerns about speculative demand.

Regarding the ability to effectively enforce covenants, it would seem simple enough in these times of automated systems, that a process of issuing timber marks could involve a cross-check against a list of properties on which stumpage has been deferred.

RECOMMENDATIONS:

1. **The opportunity for stumpage deferral on agricultural leases should be retained.**

2. **The effectiveness of administrative systems for enforcing restrictive covenants for stumpage deferral should be reviewed and confirmed.**

4.2 Crown Land Pricing

There are two components to the issue of Crown land pricing: annual rental payments to the Crown during the lease term; and the final purchase price for the land at the time that the land is transferred in fee simple to the lessee.

4.2.1. Annual Lease Payments

The current policy requires payment of an annual lease rental of one percent of the market value of the land as appraised at the time of lease issuance. At the start of year six of the lease, the rent rate increases to five percent, calculated on the same original market value base. The difference paid (between one and five percent) is deducted from the eventual purchase price of the land, so that the effective rent rate remains at one percent for the duration of the lease. The intent of the rent increase in year six is to motivate expedient lease development.

The matter of annual rental payments did not surface as a significant issue in the course of the Inquiry. I am assuming, therefore, that from the perspective of lessees, annual rental requirements of the current policy are not considered to be onerous. This is not particularly surprising, given that the land's market value is not reviewed and adjusted (as a basis for rental re-calculation) for the entire ten year duration of the lease. The implication of this current method is that, any time in the lease term after initial land appraisal, annual lease rentals may be either understated or overstated, relative to market levels.

The Ministry of Crown Lands sees this rental arrangement as below normal market value levels and refers to it as a subsidy to agricultural lessees. On the other hand, I am advised from a different source that the current rental requirements roughly represent market value pricing. I am not in a position to comment on whether or not this is the case; however, I do support the principle that market value rental rates should be applied to agricultural leases.

One would also expect that the lease agreement would contain provisions for periodic review and adjustment of the land value

to which rent rates are applied. This implies re-appraisal of the land at each review occasion. I understand that avoidance of appraisal costs and associated administration is a main argument in support of the current policy of a fixed land value for the entire lease term. Another reason is to provide lessees with sufficient certainty of lease costs to enable proper financial planning associated with lease development. Both of these reasons have merit and, despite the fact that it is not totally consistent with market value pricing principles, the current policy of retaining a fixed land value for the entire tenure term should be retained for the purpose of annual rental calculation.

RECOMMENDATIONS:

1. **Annual rentals for agricultural leases should be based, for the full ten year lease term, on the appraised market value of the land as established at the time the lease is issued.**

2. **The rental rate (i.e. the percentage rate) that the land value is multiplied by in order to determine annual rental payments, should be the same average rate that prevails for the rental of private agricultural land. Accordingly, the Ministry of Crown Lands should undertake a review of private agricultural land rental arrangements to determine the appropriate rental rate that should apply to future leases. This rate should be reviewed periodically by the Ministry (say five year intervals) to ensure market place comparability. Future agricultural leases should be subject to rental rate review at lease mid-term to enable the introduction of updated rental rates into the lease agreement.**

3. **The existing Ministry of Crown Lands policy of using annual rental increases at lease mid-term to motivate expedient lease development should be discontinued. Rate of development of agricultural leases should be scheduled in the lease development plan. There should not be pricing policy penalties in place to further expedite development.**

4.2.2 Purchase Price of Agricultural Leases

Market Value Determination

The present policy provides lessees with two specific benefits at the time that they purchase their agricultural lease. Firstly, lessees receive the benefit of the purchase price being set at the lesser of:

i) market value as established at the time of lease issuance, or;

ii) current market value as established at the time of purchase.

This policy feature was introduced in the early 1980's to protect lessees from the effects of rising or falling real estate markets. Although I can understand the reasons behind this policy, it is, once again, difficult to rationalize in terms of comparability with how land financing occurs in the private market place. My perspective is that it would be a sufficient benefit to lessees to set the purchase price at the market value of the land as appraised at the time of lease issuance. Under such a policy, lessees would have complete knowledge of their lease acquisition costs from "day one", and could plan accordingly.

From government's point of view, any appreciation in land value will be lost, compared to a policy of selling the land at current market value (assuming a normal trend of land value appreciation over time). On the other hand, land re-appraisal costs and administration are eliminated.

I favour a policy of selling agricultural leases at the land's original appraised market value (as determined when the lease was issued) for reasons of price certainty for lessees and simplicity for government.

I am advised that difficulties and inconsistencies have occurred in the manner in which market value appraisals have occurred for some agricultural leases. My understanding is that the Ministry of Crown Lands employs independent accredited appraisers in many instances to establish market values, but also relies on internal appraisal personnel, who may or may not be accredited.

I appreciate the difficulties inherent in the "art" of real estate appraisals and I am not surprised that conflicts have arisen around this subject. No doubt appraisals of raw, undeveloped Crown land, compared to more conventional private real estate transactions, are more difficult to conduct accurately.

Complete objectivity and professionalism should be the basis for setting the price at which public resources are provided to private interests. Therefore, I would support the consistent use of accredited appraisers in future implementation of the program.

The Ministry of Crown Lands has in place a published procedure for "disposition price resolution" where conflicts arise over different perspectives on market value of a particular parcel. I have reviewed this policy and consider it to be a fair basis for settling disputes.

RECOMMENDATIONS:

1. **The existing Ministry of Crown Lands policy of selling agricultural leases at the lesser of the original or the current market value of the land should be discontinued. Purchase price should be set at the market value of the parcel as appraised at the time that the lease is issued.**

2. **The Ministry of Crown lands should use only qualified accredited appraisers to establish the market value of Crown land allocated under the agricultural lease program.**

Cultivation Credits

The second purchase price benefit that lessees currently receive is the deduction from the purchase price of $750 for each hectare of arable land that is placed into cultivation during the lease term. There is no limit on the extent to which cultivation credits can be applied to reduce the purchase price. The minimum purchase price that the Ministry will accept, however, is the amount of money that the Ministry has directly invested into the parcel in providing it under the program. (e.g. appraisal costs, surveying costs, marketing costs). Indirect administrative costs (such as staff time in performing field inspections) are not recovered.

Cultivation credits were first introduced to the program in 1986 to recognize the high costs involved in cultivating the land as required by the lease contract. Cultivation credits are obviously well received by the agricultural community. Although each lessee's costs of cultivation can vary considerably, depending on the specific attributes of the parcel, there seems to be general agreement that the $750 figure covers the bulk of the average costs of cultivating a hectare of raw land in the northern interior.

For the most part, lessees that have cultivation credits as part of their lease agreements maximize the use of the credits to reduce their purchase price of the land to a nominal amount. I am advised that the total purchase price for parcels recently disposed under this policy have been as low as zero, where no Ministry of Crown Lands direct costs were involved in allocating the parcel. However, the average direct Ministry costs for each lease apparently ranges from $3000 to $5,000, although some are as high as $40,000 when, for example, road building costs must be recovered in accordance with the policy.

It is instructive to look at the approximate magnitude of the cultivation credit subsidy. Estimates are that roughly 900 lessees enjoy the benefits of cultivation credits and that on average it will confer a benefit of close to $20,000 to each lessee in the form of a marketable land asset. Compared to a market value pricing policy, the cultivation credit policy for existing leases represents foregone provincial revenue in the order of $15 to $20 million over approximately the ten year period from 1986-1996. The overall magnitude of this subsidy is quite remarkable, considering that there has been no assessment of whether or not the agricultural returns from these lands represents good value in exchange for the public's investment. Certainly, there has not yet been any indication that this is so.

The Ministry of Agriculture and Fisheries also operates a subsidy program for agricultural land clearing that applies to both private farmland and agricultural leases. Known as ALDA, (named after the enabling Agricultural Land Development Act) the program provides qualifying farmers with as much as $50,000 in loans over 15 years, with interest set at half of prime. The actual size of the subsidy available under this program depends on prevailing interest rates.

The concerns that I have in retaining the Ministry of Crown Lands' cultivation subsidy as a component of Crown land pricing are:

* Unfairness Among Lessees - Some lessees have high cultivation costs compared to others, yet everybody receives $750 per hectare. Some get to "write-down" their purchase price to zero where the government has not borne direct costs in allocating the parcel; some will receive only a moderate "write-down" where direct Ministry costs have been more considerable. There are associated difficulties in ensuring that direct costs

are accurately recorded. There is also the concern that the Ministry may not always receive value for money in incurring direct costs. Where it does not, the effect is extra cost to the lessee.

* Questionable Effectiveness - In tying the cultivation subsidy to land pricing, the subsidy is unrelated to the actual costs of cultivation. The subsidy is very indirect. If government wants to subsidize land cultivation there are definitely more direct and thus more effective ways of doing so.

* Overlapping Programs - The availability of ALDA program funds for cultivation overlaps with the Ministry of Crown Lands cultivation credit. Both sources of subsidy are available to lessees, but only the ALDA subsidy program is available to farmers of private land.

* Stimulates Lease Demand - The availability of cultivation credits can result in the acquisition of Crown land for a nominal price. This policy will continue to influence demand for agricultural leases, relative to demand for existing cultivated private land. The long term effect will be a contribution to an over supply of agricultural land and a related dampening in price. Escalating land use conflicts with other resource users can also be estimated.

* Availability of Existing Undeveloped Farmland -There are significant amounts of undeveloped existing farmland suitable and available for farm expansion. The government's thrust, if cultivation subsidies are to be applied at all, should be incentives to intensify the development of existing farmland before further

Crown land is promoted for new agricultural development.

I recognize that it is largely a political choice of whether or not the public should extend subsidy programs such as that associated with the existing Ministry of Crown Lands cultivation credit policy. However, based on the above, I can only conclude and recommend the following:

RECOMMENDATIONS:

1. **The Ministry of Crown Lands existing policy of deducting cultivation credits from the purchase price of agricultural lease lands should be discontinued, (except for all existing lease commitments containing these provisions, which should be honoured). Cultivation incentives for agricultural land in B.C. should be delivered through grant or loan programs delivered by the Ministry of Agriculture and Fisheries, notably through their existing ALDA Program.**

2. **Government must consciously decide the extent to which it wishes to subsidize cultivation on new Crown agricultural leases compared to existing farmlands in B.C. Based on my findings, the funds directed towards this end should go towards intensification on existing farmland as the priority. Therefore, the Ministry of Agriculture and Fisheries should set policy on the extent to which Crown agricultural lease lands will be subsidized under their cultivation incentive programs, relative to existing farmlands.**

5.

DETERMINING THE SUITABILITY OF CROWN LAND FOR AGRICULTURE

5.1 The "Highest and Best Use" Debate

5.1.1 Sources of Conflict

The Ministry of Crown Lands bases its decisions to allocate specific Crown land for agriculture upon an assessment of the agricultural **suitability** of those lands. The traditional way that suitability has been determined is through a Crown land **application process** involving:

- a check of the legal status of the land;
- referral of the application to potentially interested groups; and
- a field inspection to ascertain parcel location and arability.

This information is assembled and assessed by the Ministry of Crown Lands and a decision is then made on whether or not to allow the application. Often approval is granted for a modified land area, or the approval contains conditions to address concerns raised in the application process. The process is often iterative in the sense that an applicant can re-apply for the same area or a modified area. In situations where more than one party has expressed interest in the parcel, applications sometimes lead to open or limited entry auctions. This reactive method of Crown land allocation for agriculture is employed widely by the Ministry of Crown Lands.

Agricultural suitability has alternatively been determined as a result of various interagency planning studies where specific lands are designated for specific uses. These studies have, in the past, resulted in the designation of "Agricultural Development Areas". Crown lands within these areas have subsequently been surveyed and serviced by road by the Ministry

of Crown Lands, and marketed for agricultural lease by auction. The purpose of both of the above allocation methods has been to determine whether or not the **"highest and best use"** of the subject Crown lands is for agriculture or for some other land or resource use. I have heard the term "highest and best use" repeatedly in the course of the Inquiry. It is used by all interests, be they forestry, agriculture, or wildlife advocates, as the basis for arguing that Crown lands should be allocated or retained for a purpose consistent with their interests. The inability of anyone to objectively define the term "highest and best use", however, gives rise to frequent and intense conflicts among the interests.

Public and private sector foresters are unanimous in their view that further erosion of the forest land base should be prevented, and that the economics of forestry outweigh those of agriculture. They see agricultural encroachment into established provincial forests as a threat to the sustainability of the forest industry, and feel that earlier processes and decisions to designate Crown land as "provincial forest" are being compromised. Ministry of Forests regional staff are generally dissatisfied with the terms of the administrative agreement with the Ministry of Crown Lands which sets out policy and procedures for agricultural expansion into provincial forests.

The agricultural community on the other hand, is generally not sympathetic with the foresters' position. Their perception is that the industry and the Ministry of Forests have poorly managed the overall forest resource and that the amount of land involved in the agricultural lease program is comparatively insignificant. They also argue that the economics of using the land for agriculture far exceed the economic benefits of forestry on those same lands.

From the perspective of the Ministry of Environment, the greatest concern with the agricultural lease program is the loss of highly valuable wildlife habitat. The problem is that lands with the highest agricultural potential are often the same lands that are critical for wildlife habitat, particularly during winter months. The transfer of land from public to private ownership under the agricultural lease program also constrains the fish and wildlife management objectives of the Ministry of Environment.

In some areas of the province, a high degree of animosity and distrust has developed between staff of the Ministries of Environment and Crown Lands. Simply put, the mandates of the two programs are at odds when individual areas of Crown land are at stake, and there are often not suitable mechanisms in place to resolve the conflicting perspectives on "highest and best use". Because of the adversarial positions that develop, the agricultural lease application process is delayed and the applicant becomes frustrated with the bureaucracy.

My assessment of the debate surrounding the determination of the "highest and best use" of Crown land is that there are unfortunately no simple or inexpensive measures that can be adopted to ensure consensus on what lands should be dedicated for agricultural expansion in the future. The underlying sources of the problem, in my view, are:

- the land base is already highly committed to various uses;
- knowledge of inventory and capability of the land is generally poor;
- practical methodologies are lacking to evaluate the relative merits of alternative land uses;
- individual professional values and agency mandates that compete for the same land base contribute to the conflict.

In spite of these major difficulties, I am impressed with the fact that government personnel still manage to implement their respective programs with a high degree of competence and professionalism.

Perhaps the greatest impediment to efficient and effective Crown land allocation is the lack of broader context for individual planning and Crown land allocation decisions. Many submissions to the Inquiry have stressed the need for a **Provincial Land Use Strategy** to guide rational land and resource allocation decisions in British Columbia. Undeniably, this would bring greater efficiency and effectiveness to the delivery of the individual resource programs that are operating in B.C. The Report of the B.C. Task Force on the Environment and Economy is timely with its recommendation for a "sustainable development strategy"; a product which I take to be relatively synonymous with what others have called a "provincial land use strategy". My findings strongly support the development of such a strategy, and I urge the government to embark on this challenging task.

5.2 Improving the Process

In the interim, however, Crown land allocation decisions must still be made on a daily basis. Many of my earlier recommendations should help minimize future disputes over the allocation of Crown land for agriculture. Nonetheless, the existing system could be greatly improved, I believe, with some simple improvements in communication and coordination among the agencies involved in the allocation process. Regular joint meetings to discuss individual agricultural applications and program priorities, joint field inspections, regional inter-agency agreements to sort out processes, and batched referrals and application cut-off dates to improve referral response are some ideas that might be incorporated into an improved administrative system of **reacting** to individual agricultural

lease applications.

If the government wishes to **proactively** decide Crown land suitability as a basis for future decisions on which Crown lands should be allocated for agricultural expansion, then interagency planning studies must be implemented. Logically, these types of studies should be preceded by inventories of resource quantities and qualities, and involve an evaluation of various Crown land allocation options. I am advised that land inventory methodologies and economic evaluation methodologies need to be improved so that these methods can become more widely accepted by all parties involved in the planning exercises.

Certainly government should continue to improve on these methodologies and, as "owner" of the Crown land resource, maintain appropriate inventories of resource quantity and quality. I am not, however, suggesting that the government should immediately embark on these efforts solely for the reason to improve the basis for deciding future agricultural expansion onto Crown land. My belief is that the associated costs are not presently warranted in relation to the proposed reduced scope of the agricultural lease program.

A further issue is, "what should be done with unallocated Crown lands which have previously been identified for agricultural development through an inter-agency and public planning process?" The Ministry of Forests has stated its preference that these lands be designated as "provincial forest lands" to provide a secure basis for making silviculture investments.

My view on this question is that these lands received "Agricultural Development Area" designation through a legitimate planning forum. Although I heard complaints that the planning processes were inherently biased towards agriculture, I am not in a position to judge the worthiness of those earlier processes.

Accordingly, unallocated Crown land currently designated as "Agricultural Development Areas" should remain as such until a further interagency planning study, with public involvement, determines otherwise. Because the planning studies that initially created these existing "Agricultural Development Areas" occurred relatively recently, I am not proposing that these areas should be "re-planned" at this time. These areas should be retained as uncommitted Crown lands until such time that their use for new agriculture ventures is justified, or when the combined pressures on the land base creates a need to review the use and management of these areas through a new inter-agency planning exercise. Therefore, consistent with my earlier recommendations, these lands should not be marketed for new agricultural disposition at this point in time. They should, however, be available to existing farmers for farm expansion where the farmer meets all specified eligibility criteria.

RECOMMENDATIONS:

1. **Methods to improve communications and cooperative approaches among the Ministry of Crown Lands and the other resource agencies involved in the delivery of agricultural lease program should be explored and adopted.**

2. **Crown lands that have been identified through former planning studies as suitable for agricultural development (i.e. "Agricultural Development Areas") should not be marketed for the creation of new agricultural ventures at this time. These lands should be retained as uncommitted Crown land until such time as there is sufficient justification to allocate them for new agricultural ventures, or until such time as they are designated for a different purpose through an inter-agency and public planning exercise. These lands should, however, be available for existing farm expansion consistent with the criteria that are adopted to determine eligibility for expansion.**

6.

INTENSIFIED LAND MANAGEMENT

6.1 Improved Management of Lands Already Allocated for Agriculture

I have received suggestions that Crown lands previously allocated under the agricultural lease program that have been abused should be "repatriated" to the Crown so that they may be rehabilitated. Other sources suggest that these lands should remain in private hands, but there should be government incentives to encourage their productive use, be it for agriculture, forestry, or wildlife management. No doubt there are also large amounts of private land (i.e. land not necessarily allocated through the agricultural lease program) that are not being used and managed to maximum capacity.

These suggestions are significant in the context of shaping the future of the agricultural lease program, given that the lands already in private ownership are generally of higher capability and suitability for agriculture or timber production than are remaining Crown lands.

Ideally, market demand for agriculture or forestry products would in itself stimulate existing land owners to intensify the management and production from their lands. However, these market forces are evidently not presently in place. The long lead times, for example, to obtain a return on a new forest crop, prevents most individuals from investing into silviculture on their land.

The federal and provincial governments have recognized this problem, and through the Canada - British Columbia Forest Resource Development Agreement (FRDA), some funding has been provided for forestry on private small holdings. Agricultural leases do not, however, qualify for this program, given the levels of provincial subsidy that have already been directed towards these lands for cultivation purposes. I support the

policy of excluding agricultural leases from the FRDA program. To have subsidized lessees to clear and cultivate the land, and to then subsidize them to re-forest the land would not be a responsible use of public funds. Neither should future agricultural leases be eligible for the program, as their allocation should be predicated on the most suitable use of the land being agricultural cultivation, not forestry.

Other than incentive programs such as FRDA, the provincial government has land assessment and taxation policy tools at its disposal to encourage particular land use objectives. Land classification for taxation purposes, tax exemptions, and tax rates are all variables that can be used to stimulate higher levels of management and production from private farmland or forestry land. Theoretically, these variables could be applied as either tax subsidies or tax penalties.

Property tax reform is a tremendously complex subject that warrants detailed study in its own right. It is not within the scope of my terms of reference to provide recommendations on this subject. Nonetheless, I draw government's attention to the statements made to me in the course of the Inquiry that there should be incentives in place to encourage better management on existing private lands.

6.2 An Improved Basis for Lease Enforcement

Regarding the suggestion that "abused" Crown lands previously allocated under the agricultural lease program should be repatriated to the Crown for rehabilitation, this would effectively constitute expropriation of these lands from current owners or lessees. There is currently no legal basis upon which to do this. In fact, the land owners in question have not acted outside of the law in any manner that I am aware of.

In this regard, the Land Act provides only limited powers to enforce the provisions of a tenure contract. The only recourse for the government in situations were a tenure holder does not comply with the management requirements of the tenure, is to cancel the tenure. This implies that the management requirements of the tenure have been objectively set out in the tenure contract. Moreover, tenure cancellation is not a particularly onerous penalty for many tenure holders. In fact, some of the agricultural leases that have been abused have purposely been abandoned by lessees and left to revert to Crown ownership.

One way to ensure greater compliance with the land management provisions of tenure agreements is to provide the legal basis (through Land Act amendment) for the collection of a fine where an "offence" of non-compliance has occurred. I would support this amendment, in view of the need to ensure bonafide use of public lands that are transferred into private hands.

RECOMMENDATION:

> **The Land Act should be amended to establish that future non-compliance with land management provisions of tenures issued under the Act constitutes an "offense", and appropriate related penalties should be established.**

6.3 Administration and Management of Existing Leases

There are 1370 active existing agricultural leases that are in various stages of development, and which are subject to various provisions in their tenure contracts, depending under which policy the lease was issued (or converted to). These leases are a source of high administrative overhead to the Ministry of Crown Lands and the Ministry of Forests. Accordingly, the Inquiry terms of reference directed me to consider options for accelerating the conversion of these leases into fee simple

ownership.

In considering this question, it is quite evident that both parties to these leases are bound in contract by the provisions of the lease agreement. There must, therefore, be mutual agreement to alter the contracts. If the Ministry wishes to accelerate the rate at which lessees assume the purchase options on these leases, it would seem that there would have to be some form of inducement offered to lessees. This could take the form of reduced cultivation requirements, expanded cultivation credits, rental forgiveness, price reduction, etc.

Given that the majority of existing tenures already enjoy considerably beneficial pricing provisions in their tenures, it is difficult to imagine that further financial benefits could be rationalized by the government. Moreover, it would be an unfair benefit for this group of lessees compared to former and future lessees. Certainly it would be inconsistent with my earlier recommendations to provide the purchase of these properties through an offer of reduced cultivation requirements.

RECOMMENDATIONS:

1. **The Ministry of Crown Lands should continue to administer existing agricultural leases in compliance with the terms contained in the leases.**

2. **There should be no further opportunities provided to tenure holders to convert their leases to leases containing different tenure provisions.**

3. **Where tenure holders fail to comply with the terms of their tenures, the Ministry of Crown Lands should be firm in its resolve to enforce the lease agreements. Specifically, leases should be terminated, in accordance with the stated lease provisions for termination, where the lease term expires and the required cultivation is not completed.**

APPENDIX 1

INQUIRY TERMS OF REFERENCE

TERMS OF REFERENCE
CROWN AGRICULTURAL LAND PROGRAM REVIEW

PURPOSE:

The Ministry of Crown Lands is undertaking a review of its program for the disposition of Crown Land for agricultural use. The purpose is to establish future direction and policies for the program consistent with:

* wise land use
* sustainable development
* market value pricing
* regional economic development and diversification
* administrative efficiency and effectiveness

GOALS:

The Goals of the study are to:

1. Identify issues associated with agricultural development on Crown land and document the perception and position of the various interests on each of these issues.

2. Analyze the most significant issues to establish their nature and significance.

3. Identify and evaluate alternative directions and policies for agricultural development on Crown land.

4. Prepare a discussion paper for public review of the issues and alternative program directions.

TASKS:

1. The commissioner will meet with:

   A. PROVINCIAL GOVERNMENT MINISTRIES

   * Ministry of Forests
   * Ministry of Parks
   * Ministry of Environment
   * Ministry of Agriculture and Fisheries
   * Ministry of Municipal Affairs, Recreation and Culture
   * Ministry of Crown Land
     (meeting will be held at H.Q. and Regional levels)

   B. PROVINCIAL LEVEL INTERESTS

   * British Columbia Cattlemens' Association
   * British Columbia Federation of Agriculture

* British Columbia Wildlife Federation
* Association of British Columbia Professional Foresters
* British Columbia Institute of Agrologists
* Society of Range Management
* British Columbia Guide Outfitters Association
* Outdoor Recreation Council
* Council of Forest Industries
* Truck Loggers Association

C. SELECTED CABINET MINISTERS AND MLA'S

D. REGIONAL AND LOCAL INTERESTS

* regional government
* local farmer and rancher associations
* local forest companies and associations
* local recreational associations

The purpose of these meetings will be to identify issues and potential solutions as perceived by the various interests associated with this land use program.
The review will accept either written submissions or information compiled through interviews.

A background document containing a summary of the submissions and interviews will be prepared.

2. An analysis of the major issues surrounding the program, including but not limited to the following, will be completed:

* compiling statistics on trends and future projections in agricultural land use and development, including developed and undeveloped private land, in the northern regions (this will include a refined definition of developed and undeveloped).

* establishing the contribution of Crown agricultural land to provincial, regional and local economies.

* assessment of the costs of administering the program.

* assessment of the costs of bringing raw Crown land into production in relation to those of acquiring developed private land.

* establishing the extent to which timber values "drive" the agricultural program.

* determining the impact on private land market.

* assessing the nature and significance of land use conflicts.

3. The commissioner will evaluate options for program direction and policies. This evaluation will be undertaken in the categories of:

SCOPE:

Alternatives such as concluding the program, continuing with a program with a reduced level of disposition, accelerating disposition for identified arable lands or other directions that may contribute to regional development will be identified and evaluated.

PROCESS AND POLICY ISSUES:

A. Highest and Best Use: methods to determine when land should be allocated to agriculture.

B. Disposition Methods: direct disposition by application, limited entry auction, or open auction.

C. Tenure: direct sale or lease develop purchase.

D. Pricing: market value pricing for sale or lease pricing incentives, or other subsidies such as cultivation credits.

E. Timber Administration: pre-clearing tenures prior to disposition, clearing plans, deferred stumpage, or prepaid stumpage prior to disposition.

F. Eligibility: no restrictions, established farmers or local farmers.

G. Development Requirements: no requirements, or a specified requirement to be eligible to purchase.

4. An evaluation of the current portfolio of 1,400 agricultural tenures will be completed to determine the most effective strategies for accelerating purchase and managing these tenures.

5. The commissioner will prepare a summary report for presentation to the Minister; technical work may be prepared in a series of background reports for limited distribution.

REPORTING:

The commissioner reports to the Minister of Crown Lands. At the working level, a committee, chaired by Crown Lands, and representatives from Environment, Agriculture and Fisheries, and Forests will be available to support this review.

TIMING

The study is to be completed within four months of initiation.

APPENDIX 2

PUBLIC MEETING SCHEDULE

INQUIRY INTO AGRICULTURAL DEVELOPMENT ON CROWN LAND

PUBLIC MEETING SCHEDULE (AUGUST 1989)

DATE	MEETING LOCATION
OMINECA/NECHAKO REGION	
August 8	PRINCE GEORGE
August 9	VANDERHOOF
August 10	HIXON
PEACE RIVER/FORT NELSON REGION	
August 15	FORT NELSON
August 16	FORT ST. JOHN
August 17	DAWSON CREEK
CARIBOO/ROBSON VALLEY	
August 22	WILLIAMS LAKE
August 23	QUESNEL
August 24	MCBRIDE
SKEENA REGION	
August 29	SMITHERS
August 30	HAZELTON
August 31	BURNS LAKE

APPENDIX 3

LIST OF WRITTEN SUBMISSIONS

MADE TO THE INQUIRY

WRITTEN SUBMISSIONS MADE TO THE INQUIRY

BUSINESS AND INDUSTRY ASSOCIATIONS

Association of British Columbia Professional Foresters

B. C. Wildlife Federation

B.C. Institute of Agrologists
Peace River Branch

Bulkley Valley Cattlemen's Association
Smithers, B.C.

Cariboo Cattlemen's Association
Williams Lake, B.C.

Cariboo Lumber Manufacturer's Association

Castle Rock Livestock Association
Quesnel, B.C.

Lakes District Cattlemen's Association

Forest History Association of B.C.

Fort Nelson Farmers' Institute

Fort St. John Chamber of Commerce

Guide Outfitters Association of B. C.

Land Use Committee
B.C. Cattlemen's Association
Kamloops, B.C.

McBride Farmers' Institute
McBride, B.C.

Nechako Regional Cattlemen's Association
Vanderhoof, B.C.

Northern Interior Lumber Sector
Council of Forests Industries of B.C.
Prince George, B.C.

Outdoor Recreation Council of British Columbia
Prince George Chamber of Commerce

Punchaw Cattlemen's Association
Prince George, B.C.

Quesnel Cattlemen's Association
Quesnel, B.C.

Quesnel and District Chamber of Commerce

Society for Range Management
Pacific Northwest Section

Tatalrose Farmers Institute

Tatlow-Chapman Community Association

Treaty 8 Tribal Association

Upper Cache Creek Cattlemen's Association
Charlie Lake, B.C.

Upper Halfway Livestock Association
Wonowon, B.C.

West Fraser Mills Ltd.

LOCAL GOVERNMENT

Cariboo Regional District

Cariboo Regional District, Area "C"

City of Dawson Creek

City of Quesnel

City of Prince George

District of Chetwynd

Fort Nelson-Liard Regional District

Peace River Regional District
Dawson Creek, B.C.

Peace River Regional District
Fort St. John, B.C.
Regional District of Bulkley Nechako

Regional District of Fraser-Fort George

Village of 100 Mile House

PROVINCIAL GOVERNMENT AGENCIES

Agricultural Land Commission

Ministry of Agriculture and Fisheries
- Headquarters

Ministry of Environment
- Headquarters

Ministry of Environment Regions:
- Skeena Region
- Northern Interior Region
  - Williams Lake

Ministry of Forests
- Fort St. John District
- Prince George District
- Vanderhoof District
- Prince Rupert Region
- Cariboo Region
- Dawson Creek District
- Fort Nelson District

INDIVIDUAL SUBMISSIONS

A. Douglas Pugh

Abigail Kenyon

Art & Sharon MacLean

Arthur Croy

B. Tucker

Carlos E. Finsterbusch

Cindy Stender
Clyde and Dianne Sword

Cyril W. Jeck

David Sawchuk

Donald Grimshike

Donna Newman

Duncan Baynes

Edith Moore

Eugene and Charlene Eggers

H.J. Goodman

Harold Newman

Harold Giesbrecht

Howard Lloyd

Ivan Westerlund

J. Meeks

James Turner

Jerry Entzminger

Ken Rombough

L. and S. Simonson

Larry Finnerty

Larry Garrett

Lars Fossberg

Leonard and Martin Dillabough

Mark G. Lepetich

Morris L. Ettinger

Peter Ryks
Phil Gillis

Robert Hiebert

Ron Williams

Ross E. Phillips

S. Buck

Thomas A. Collier

Wayne Ray

APPENDIX 4

LIST OF VERBAL SUBMISSION

MADE TO THE INQUIRY

VERBAL SUBMISSIONS MADE TO THE INQUIRY AT THE PUBLIC MEETINGS

1. **Prince George Public Meeting**

Brian Gilfillan, N.I.L.S.
Council of Forest Industries

Frank Drougel
Central Interior Logging Association

Dave Phillips
Private Logging Contractor

Ken Douglas

Mr. Phillips,
on behalf of Denise Pellerein

John Huepler

Dave Wilson,
Regional District of Fraser-Fort George

Ivan Westerlund

Archie Everall

Sandy Taylor

Muriel Parent,
on behalf of Paul and Romeo Parent

2. **Vanderhoof Public Meeting**

Ron Ray

Jake Friessen

Ann Davidson,
Vanderhoof Woodlot Association

John Warren

Larry Garrett
Nechako Regional Cattlemens Association

Mr. Morris

Wayne Ray

Oscar Walstrom

Leo LaRoche
B. C. Trapper's Association

John Warren

Cathy Ray

Bob Barclay

3. **Hixon Public Meeting**

Martin Dillabough

Harold Mitchell

Herman Van de Weghe

H. R. Foley

4. **Fort Nelson Public Meeting**

Jeremy Sellors,
Fort Nelson Farmers Institute

Charlene Eggers

Abigail Kenyon

Cindy Stender

Gerald Green

Dave Hoff

Phil Gillis

Joanne Richlack

Dave Doman,
Fort Nelson Liard Regional District

Eugene Eggers

John Brookes

5. **Fort St. John Public Meeting**

Clarence Appsassin
Treaty & Tribal Association

Don Kruse
Upper Halfway Livestock Association

Stan Large

Karen Goodings & Ben Knudsen
Peace River Regional District

Bob McCormick
Cypress Creek Cattlemen's Association

Jim Collins
Director, B.C. Agricultural Land Commission

Shirley & Les Simonsen
Farrel Creek Farmers Association

Hart Haiden and Bob Clarke
Fort St. John Chamber of Commerce

Dick Ardell
Peace River Regional Cattlemen's Association

Doug Sommer

6. **Dawson Creek Public Meeting**

John (Red) Wagner
City of Dawson Creek

Ole Odden
B. C. Cattlemen's Association

Clara Howe

Charlie Lasser & Jack Hamman
District of Chetwynd

7. **Williams Lake Public Meeting**

George Keener

Nick Sardi

Pat Nock

Ron Bryant
Cariboo Cattlemen's Association

Ron Williams

Dave Zirnheldt

Dave Cummings

Sandra Dixon

8. **Quesnel Public Meeting**

Stu Roberts

Diane Sword

Mr. Miller
City of Quesnel

Ken Cameron
B. C. Cattlemen's Association

Mr. Sanford
Quesnel Cattlemen's Association

Ted Kennedy

Kirby Kennedy

Thomas Collier

Ed Ryerson

Mark Lepetich

Ray Stanbridge

Mr. Van De Weghe
Cottonwood Grazing Association

Reg Cullis
Mr. Ray Goodman, RPF

Bob Hart

Patti Dorherty

9. **McBride Public Meeting**

Loretta Simpson
McBride Farmers' Institute

Cyril Jeck

Mike Munro

Steve Pelton

Slocan Forest Products

Mr. Croy

Bill Armstrong
McBride Cattlemen's Association

10. **Smithers Public Meeting**

Dan Derbyshire

Judith Perris
Tatlow Community Association

Eugene Bekar

Al Banner

Harold Kerr
Bulkley Valley Cattlemen's Association

Dave Labatte

Boyd Lundquist
B. C. Cattlemen's Association

11. **Burns Lake Public Meeting**

C. Addison
Burns Lake Cattlemen's Association

Denys Bell
Bulkley Valley-Nechako Regional District

Don Baker
Tatalrose Farmers Institute

Andy Amendt

Nancy Dielogne

APPENDIX 5

SUMMARY OF AGRICULTURAL LEASE POLICY HISTORY

CHRONOLOGY OF AGRICULTURAL PROGRAM CHANGES (1963 - 1989)

Date of Policy	Lease Term/Initial Lease Development Requirements	Tenure Term/Purchase Development Requirements	Development Requirement for Tenure Assignment	Rental Rate, Land Valuation, Interest Deferral, Timber Administration	Eligibility Restrictions
February 1, 1963 (Peace River District Only)	10 yr. with 8 yr. lease extension if improvement were ≥ $1/acre	$10/acre value of improvements over total lease area.	$2/acre value of improvements	Years 1-3 - 5% of original land value Years 4-10 - 5% of land value, re-appraised at beginning of yr. 4 Purchase Price - original land value. Land value re-appraised at yr. 10 if converted to 18 yr. term.	No restrictions
May 21, 1965	3 years - cultivate 10% of arable area	Up to 21 years - cultivate 80% of arable area	Cultivate 20% of arable area	No change	No change
June 21, 1965 (Supplement to May 21, 1965 policy - applicable to statutory timber lands of less than 160 acres)	5 years - no requirements for renewal	Up to 10 years - cultivate 50% of arable area within 5 years to purchase at original land value, or cultivate 50% by end of 10 year term to purchase at re-appraised value		Years 1-5 - 5% of original land value Years 6-10 - 5% of re-appraised land value	No change
February 26, 1968	No change	No change	Same as February 1963 policy	No change	

CHRONOLOGY OF AGRICULTURAL PROGRAM CHANGES

Date of Policy	Lease Term/ Development Requirements	Tenure Term/Purchase Development Requirements	Development Requirement for Tenure Assignment	Rental Rate, Land Valuation, Interest Deferral, Timber Administration	Eligibility Restrictions
September 9, 1968	No change	No change	No change	5% of original land value for years 1-10 (i.e. no adjustment at end of year 3)[1]	No change
January, 1970	No change	No change	No change	No change	Leases issued only to existing farmers.[2]
July 1, 1977[3]	5 years - cultivate 25% of arable area	20 years - cultivate 80% of arable area	Removal of above restrictions	Years 1-10 5% of original market value. All rentals credited towards purchase price, if 80% development complete before year 10. Years 11-15 - 5% of land value established at commencement of year 11. Rental payments not eligible as a credit towards purchase price. Also, lessee loses the rental credits accumulated in years 1-10, at a cumulative rate of 20% for each during this period. Purchase price in years 11-15 set at original land value. Years 16-20 - land re-appraised at year 16 and rentals and purchase price impacted accordingly.	Restricted to established farmers where existing patterns of ownership warrant such restriction (normally small dispositions). Large parcels offered to all individuals using public auction disposition method.

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[1]Policy changed to ensure consistency between the capitalized value of annual rentals and the purchase price quoted in the tenure document.

[2]Policy changed to encourage improved utilization of private farm land. Existing farmer defined as a person with greater than 40 acres or 80% of high arable acreage under cultivation. This eligibility restriction applied only in the Smithers, Fort George and Fort Fraser District, which included the Vanderhoof area.

[3]Significant changes to policy provisions occurred as a result of a major ELUC Secretariat Task Group review of the policy. Policy shift coincided with regional decentralization of Ministry program delivery, and an increased emphasis on land use planning in Crown land disposition programs.

CHRONOLOGY OF AGRICULTURAL PROGRAM CHANGES

Date of Policy	Lease Term/Development Requirements	Tenure Term/Purchase Development Requirements	Development Requirement for Tenure Assignment	Rental Rate, Land Valuation, Interest Deferral, Timber Administration	Eligibility Restrictions
July 1, 1980[1]	Lease term of 10 years	10 years-cultivate 25% of arable area	No change	Years 1-5 - 1% of original land value - removal of rental credit towards purchase price. - accumulation of interest which is deferred if land purchased before end of year 5. Years 6-10 - revised purchase price established as original price plus accumulative interest. Annual rental set at 5% of revised purchase price.	No restrictions
July 27, 1987	Lease term of 10 years	10 years - cultivate 25% of arable area. Direct Sale in Southern Regions.	No change	Years 1-5 - 1% of original land value(minimum rent $200). Years 6-10 - 5% of original land value. 4% applied as credit toward purchase price when option exercised. Purchase Price - based on original value or current market value which ever is lower. Timber Admin. - Timber removal from arable portion only and only from 32.5 ha at a time; timber on non-arable land removed by Mgt. Plan or after purchase; stumpage payment may be deferred. Cultivation Credits - Purchase price reduced by $750/ha for cleared, cultivated land.	Only existing farmers may apply for land within Prov. Forests and 70% of the private arable area must be cultivated and at least 25 ha. in size.

[1]Changes based on internal review of the 1977 policy.

APPENDIX 6

MINISTRY OF CROWN LANDS

SUMMARY POLICY STATEMENT FOR THE EXTENSIVE AGRICULTURE PROGRAM

PART C: LAND USE PROGRAM POLICY

C1: LARGE PARCEL AGRICULTURE

1.0 GOAL

To support increased provincial self-reliance on food production by releasing undeveloped public land for large parcel agriculture and by promoting greater utilization of existing agricultural Crown land.

2.0 OBJECTIVES

2.1 To encourage development of Crown land for extensive agriculture and retention of that land in such use.

2.2 To price and dispose of Crown land at fair market value, while using specific terms and conditions to provide incentives for development.

3.0 APPLICATION

3.1 Applies only to parcels of Crown land in which at least 50% of the land is arable, and in which the arable portion constitutes at least 15 ha.

4.0 DEFINITIONS

"Extensive Agricultural Use" means soil-bound cultivation, production and harvest of livestock, cereal and forage crops, vegetables or fruit.

"Arable Land" means land with a B.C.L.I. agricultural capability rating of 1 through 4 (occasionally 5 if used in conjunction with land of a higher class).

5.0 METHOD OF DISPOSITION

5.1 For parcels of vacant Crown land greater than 58 ha. in size, dispositions are normally made by open competition (or by direct offer if no competing interests exist). For parcels in planned agricultural disposition projects, either open or limited public auction, or direct offer, is used.

5.2 Outside Provincial Forests, vacant agricultural parcels generally less than 58 ha. in size will first be offered to local farmers owning adjacent or nearby land.

5.3 Within Provincial Forests, dispositions are made only to existing farmers, by direct offer unless competing interests exist. A farmer must have a demonstrated need for the land and it must form a logical extension to his local holdings. A farmer may not have more than two quarter-sections (130 ha. total) under application or tenure at one time. Clearing of the second quarter-section is permitted only after at least 25% of the arable area of the first quarter-section has been cultivated.

6.0 LAND TENURE

6.1 Direct Sale is limited to the following situations:

a) Agricultural lessee with purchase option wishes to purchase and has met a 25% cultivation requirement on the arable portion;

b) Grazing lessee wishes to surrender a lease and purchase the land for large parcel agriculture, where 50% of leasehold is arable and 25% of arable area has been cultivated;

c) Purchase is necessary to legalize an agricultural use in trespass and the land meets the criteria of 50%/25% stated above; or

d) Crown land of 15 ha. or less is required to expand an existing farm operation.

In all cases, if the land is within the Provincial Forest, it must qualify for deletion from the Forest to be eligible for fee simple disposition.

6.2 Lease-to-Purchase

The lease-to-purchase program is available only in the Peace, Omineca, Cariboo, and Skeena Lands regions.

The term of tenure is 10 years. The purchase option may be exercised as soon as 25% of the arable portion of the leasehold has been cultivated.

6.3 Lease Only

This form of tenure is used for areas that may be required for future flooding, or for areas where management flexibility is required. The initial term is 10 years. After 25% of the arable portion of the leasehold has been cultivated, a 20-year replacement lease is obtainable.

7.0 PRICING

7.1 Direct Sale: Price is based on the full market value of the land and remaining merchantable timber. In the southern Lands regions (Vancouver Island, Lower Mainland, Thompson-Okanagan and Kootenay) direct sale dispositions within Provincial Forests will be made only to existing farmers.

7.2 Lease-to-Purchase

a) For years 1-5, annual rental is 1% of the original appraised market value. The minimum annual rental is $200.

b) For years 6-10 annual rental is 5% of original appraised market value. The 4% increase is applied as a credit toward the purchase price.

c) Purchase price will be original appraised market value or the current market value, whichever is lower, plus the current value of the remaining merchantable timber. For tenure agreements dated January 15, 1986 or later, the sale price will be reduced by $750 for each arable hectare cleared and placed under cultivation during the lease term. The purchase price is not to be less than the total external costs incurred by the Ministry to dispose of the land. At the time of land purchase the lessee has the option of deferring stumpage payment on all remaining merchantable timber until it is cut, provided the remaining volume of merchantable timber is at least 1,000 cu. metres.

7.3 Lease Only

Rental is 5% of the annually adjusted agricultural productivity of the land (see L.A.M. 3.2.0100, Appendix I). The minimum annual rental is $200.

8.0 TIMBER ADMINISTRATION

8.1 Timber Removal from Arable Lands

Timber removal and land clearing must be confined to the arable portion of the leasehold and must proceed in accordance with the conditions of a Licence to Cut issued by the B.C. Forest Service.

8.2 Timber Management on Non-Arable Lands

Merchantable timber may be harvested from the non-arable portion only after the arable portion has been cleared and the lessee agrees to adhere to a long-term Timber Management Plan approved by the Forest Service.

8.3 Cutting Restriction

Cutting authority is restricted to the removal of merchantable timber from a maximum of 32.5 arable ha. (80 acres) at a time. A subsequent 32.5 ha. may be cut only after an equivalent of 25% of the arable area of the first block has been cultivated.

9.0 SPECIAL REQUIREMENTS/PROVISIONS

9.1 A "clearing plan" identifying arable portions of the leasehold is prepared by the Ministry and attached as a schedule to the lease document.

POLICY SUMMARY LARGE PARCEL AGRICULTURE

TENURE	METHOD OF DISPOSITION	TERM OF TENURE	METHOD OF VALUATION	PRICING/ RENTAL	RENTAL/FEE ADJUSTMENTS	METHOD OF PAYMENT	SPECIAL REQUIREMENTS
Lease (without Purchase Option)	See note below	10 yrs initially-replacement for additional 20 year term on completion of development	Agricultural Productivity Rating	5% of annually adjusted agricultural productivity of the land	Annual	Annual	Canadian citizen or landed immigrant 19 years or older; Residency in B.C. for 2 consecutive years immediately prior to date of application; Cultivation requirements in accordance with clearing plan; Removal of timber restricted to arable portions of leasehold; B. C. Forest Service "Licence to Cut" required for timber removal during lease term; Land subject to inclusion in ALR.
Lease (with Purchase Option) Not available in the Southern Lands Regions	See note below	10 years	Appraised Market Value (as established at date of disposition of lease)	Years 1-5 1% of Market Value/year (as established at date of disposition) Years 6-10 - 5% of original Market Value/ year (the 4% increase is applied to purchase price)	Fixed for years 1-5 Fixed at commence-ment of 6th year	Annual Annual	
Fee Simple (by exercise of purchase option in lease)	Application (accepted from lessee if development criteria are satisfied)	Perpetuity	Original appraised Market Value or current Market Value, which-ever is less.	Appraised Market Value plus market value of timber less rental credits, cultivation credits, survey costs,* cost of agrologist's report.** Purchase price not to be less than Ministry's external costs.	N/A	Full Cash Payment	* Survey costs borne by the applicant are deducted to a maximum of 50% of the Market Value. **When an applicant appeals the Ministry's determination of arability; terms of reference must be approved by the Ministry.
Fee Simple (by direct sale)	Application	Perpetuity	Appraised Market Value	Full Market Value of land and timber	N/A	Full Cash Payment	May be development requirements.

NOTE: Agricultural lands that are subject to a Crown land plan approved by the Minister are disposed of pursuant to the specific recommendations of the plan respecting method(s) of disposition. all agricultural lands located in unplanned areas are disposed of by public auction or direct offer, provided that a minimum of 50% of the land area is arable. Parcels generally less than 58 ha in size are first offered to local farmers. Special restrictions and eligibility requirements apply within Provincial Forests.

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REFERENCES

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